

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

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED ("NNUK")	<u>No. 536 of 2009 / CR-2016-006154</u>
NORTEL GMBH ("NORTEL GERMANY")	<u>No. 542 of 2009 / CR-2009-000033</u>
NORTEL NETWORKS N.V. ("NORTEL BELGIUM")	<u>No. 550 of 2009 / CR-2009-000034</u>
NORTEL NETWORKS S.P.A. ("NORTEL ITALY")	<u>No. 552 of 2009 / CR-2009-000035</u>
NORTEL NETWORKS BV ("NORTEL NETHERLANDS")	<u>No. 553 of 2009 / CR-2009-000036</u>
NORTEL NETWORKS POLSKA SP. Z.O.O. ("NORTEL POLAND")	<u>No. 554 of 2009 / CR-2009-000037</u>
NORTEL NETWORKS HISPANIA S.A. ("NORTEL SPAIN")	<u>No. 535 of 2009 / CR-2009-000038</u>
NORTEL NETWORKS (AUSTRIA) GMBH ("NORTEL AUSTRIA")	<u>No. 537 of 2009 / CR-2009-000040</u>
NORTEL NETWORKS PORTUGAL S.A. ("NORTEL PORTUGAL")	<u>No. 547 of 2009 / CR-2009-000043</u>
NORTEL NETWORKS SLOVENSKO S.R.O. ("NORTEL SLOVAKIA")	<u>No. 551 of 2009 / CR-2009-000044</u>
NORTEL NETWORKS FRANCE SAS ("NNF")	<u>No. 544 of 2009 / CR-2009-000045</u>
NORTEL NETWORKS (IRELAND) LIMITED ("NORTEL IRELAND")	<u>No. 541 of 2009 / CR-2009-000047</u>
NORTEL NETWORKS S.A. ("NNSA")	<u>No. 539 of 2009 / CR-2009-000048</u>

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

**NINTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS**

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

1. I am a licenced insolvency practitioner and an Associate Partner in the firm of Ernst & Young LLP ("**E&Y**").
2. I was appointed as a joint administrator of each of the Companies on 14 January 2009 together with Alan Robert Bloom, Alan Michael Hudson and Christopher John Wilkinson Hill, of E&Y, save in respect of Nortel Ireland where David Martin Hughes, of Ernst & Young Chartered Accountants, and Mr Bloom were appointed as the joint administrators, pursuant to the Orders of Mr Justice Blackburne.

3. Mr Hill has ceased to practice as an insolvency practitioner and gave notice that he was to resign as a joint administrator of the Companies on 11 September 2017. Mr Hill formally resigned as a joint administrator on 20 September 2017. Where I use the term "**Joint Administrators**" in relation to matters or events before 20 September 2017, I am referring collectively to myself, Mr Bloom, Mr Hudson and Mr Hill. Where I use this term in relation to matters or events on or after 20 September 2017, I am referring collectively to myself, Mr Bloom and Mr Hudson. Where I use this term in relation to Nortel Ireland, I am referring to Mr Bloom and Mr Hughes.
4. Save where I indicate to the contrary, the facts contained in this witness statement are within my own knowledge and are true. Where the facts stated are not within my own knowledge I have identified my sources of information and/or belief. In relation to information pertaining to Nortel Ireland, the facts have been provided to me by Mr Hughes, one of the Joint Administrators who has been principally responsible for that Company. Mr Hughes has confirmed that he is content with the accuracy of this statement insofar as it relates to Nortel Ireland and I understand that he intends to submit a witness statement confirming that to be the case.
5. On 2 June 2015, by Order of Registrar Briggs, Stephen Taylor of Leawood Hall, Holloway, Derbyshire DE4 5AQ was appointed as an administrator of NNSA with responsibility for dealing with certain conflict matters (the "**Conflict Administrator**") pursuant to paragraph 103(2) of Schedule B1 to the Insolvency Act 1986 (the "**Act**"). While I shall continue to refer to Mr Taylor as the Conflict Administrator, the Joint Administrators have agreed that Mr Taylor's role should be expanded following the global settlement which was sanctioned by the Court on 3 November 2016 (the "**Global Settlement**") and which greatly diminished the actual or potential conflicts such that he and the Joint Administrators now have conduct of matters generally in the administration of NNSA, with any conflict matters that arise referred to the Conflict Administrator. I shall refer to the Joint Administrators and the Conflict Administrator collectively as the "**NNSA Administrators**".
6. The Joint Administrators' solicitors, Herbert Smith Freehills LLP ("**HSF**"), have provided the Conflict Administrator with a draft of this witness statement and he has confirmed to them that, so far as it relates to NNSA for the period since his appointment and to the best of his knowledge, he considers it to be accurate and that, in his capacity as the Conflict Administrator, he authorises the making of this application in respect of NNSA.
7. The Joint Administrators' terms of office and the administrations of each of the Companies were extended by Orders of Registrar Derrett on 12 January 2010 and 6 December 2011, by Order of Registrar Baister on 1 November 2013 and by Orders of Mr Justice Snowden on 2 December 2015 and 14 December 2017 (**[1/1/1]**, **[1/2/5]**, **[1/3/9]**, **[1/4/13]** and **[1/5/15]**).

of SJH9 respectively). The Joint Administrators' terms of office, and the Conflict Administrator's term of office, now expire at 12pm on 13 January 2019.

8. I am duly authorised to make this witness statement on behalf of the Joint Administrators and the Conflict Administrator in support of our applications to extend the terms of office of the Joint Administrators and the Conflict Administrator (the "**Extension Applications**"), seeking orders in the following terms:
 - 8.1.1 pursuant to paragraph 76(2)(a) of Schedule B1 to the Act, the Joint Administrators' terms of office as joint administrators of each of the Companies be extended for a period of 12 months so as to expire at 12:01pm on 13 January 2020; and
 - 8.1.2 the costs of and incidental to the Extension Applications be paid as expenses of the administrations and paid out of the assets of the Companies.
9. Pursuant to Rule 3.54(2) of the Insolvency (England & Wales) Rules 2016 (the "**Rules**") and for the purposes of the Extension Applications, this witness statement sets out the reasons why the Joint Administrators are seeking the extensions.
10. 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.
11. There is now produced and shown to me a bundle of documents marked "**SJH9**" to which I shall refer in this witness statement. References in this document to exhibits are in the form [Volume/Tab/Page].
12. This witness statement is divided into the following sections:
 - A. Background (page 4);
 - B. Purpose of the Administrations (page 4);
 - C. Reporting progress of the Administrations (page 5);
 - D. General EMEA update (page 6);
 - E. NNUK (page 9);
 - F. CVA Companies (page 13);
 - G. NNSA (page 25);
 - H. Brexit (page 28);
 - I. Relief Sought (page 30); and
 - J. Conclusion (page 31).

A. BACKGROUND

13. 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.
14. The Nortel group was a global supplier of networking solutions (i.e. telecommunications, computer networks and software) serving customers in Canada, the US, the Caribbean, Latin America, Asia and Europe, the Middle East and Africa ("**EMEA**").
15. On 14 January 2009, Nortel Networks Corporation (the ultimate holding company for the Nortel group) and Nortel Networks Limited ("**NNL (Canada)**") (the primary Canadian operating company and holding company for most of the Nortel global subsidiaries) together with certain Canadian subsidiaries (collectively, the "**Canadian Debtors**"), sought protection under the Companies' Creditors Arrangement Act. On the same day Nortel Networks Inc. (the primary US Nortel operating company) and Nortel Networks Capital Corporation (together with certain of their direct and indirect US subsidiaries, which I collectively refer to as the "**US Debtors**"), filed voluntary petitions in the US Bankruptcy Court for the District of Delaware pursuant to Chapter 11 of the US Bankruptcy Code. Also on the same day the Companies were placed into administration by Orders of Mr Justice Blackburne and the Joint Administrators were appointed to each of the Companies. Each of the administrations of the Companies is a main insolvency proceeding as defined in Article 3(1) of the Council Regulation (EC) on Insolvency Proceedings 2000 (No 1346/2000) (the "**EC Insolvency Regulation**").
16. The Joint Administrators subsequently considered it in the best interests of the creditors of NNSA to commence secondary proceedings in France. As such, on 28 May 2009 the Commercial Court of Versailles ordered the commencement of secondary proceedings in respect of NNSA (the "**Secondary Proceeding**") and appointed Maître Cosme Rogeau as a liquidator (*liquidateur judiciaire*) (the "**Secondary Liquidator**").

B. PURPOSE OF THE ADMINISTRATIONS

17. 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 [1/6/19] to [1/18/382] of SJH9. As the Joint Administrators explained in the Statements of Proposals, the proposals for each of the Companies were:
 - 17.1 to continue to manage the Company's businesses, affairs and property during the period of the administration whilst the possibilities for a global restructuring of the Nortel business and/or a global sale of all or part of the Nortel business (together

defined as the "**Global Restructuring**") were considered, progressed and given effect to by the Company as appropriate;

- 17.2 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;
- 17.3 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
- 17.4 if the Joint Administrators decided that a Global Restructuring was not in the best interests of creditors or that the cost of continuing to trade was no longer in the best interests of creditors, the Joint Administrators would seek to achieve a better result for creditors of the Company as a whole than would be likely if the Company were wound up, by seeking to realise the best price for the business and/or assets of the Company as was obtainable in the circumstances, and then would take steps to enable the assets of the Company to be distributed to its creditors.

C. REPORTING PROGRESS OF THE ADMINISTRATIONS

18. Following their appointment, the Joint Administrators have informed creditors of the progress of the administrations. The Joint Administrators have prepared progress reports for each of the Companies on a six monthly basis since the beginning of the administrations. Since my fifth witness statement in these proceedings, dated 29 November 2017 ("**Harris 5**"), made in support of the Joint Administrators' last application to extend the administrations of the Companies (**[1/19/383]** of SJH9), the Joint Administrators have prepared progress reports for each of the Companies for the following periods:
 - 18.1 14 July 2017 to 13 January 2018 (**[2/1/1]** to **[2/13/254]** of SJH9); and
 - 18.2 14 January 2018 to 13 July 2018 (**[2/14/255]** to **[2/26/494]** of SJH9).
19. The Joint Administrators also provided detailed updates on the progress and status of the administration of NNSA my sixth witness statement dated 21 June 2018 ("**Harris 6**", at **[3/1/1]** of SJH9).
20. Harris 5 was written in support of the applications to extend our terms of office and the administrations of each of the Companies by a period of 12 months. Mr Justice Snowden

granted the extension and a copy of the Order is at [1/5/15] of SJH9. A copy of the judgment of Mr Justice Snowden dated 14 December 2017 is provided at [3/2/45] of SJH9.

21. Creditors' committees were established for each of the Companies, other than Nortel Netherlands. A creditors' committee for Nortel Austria was established but has been inquorate for a number of years, despite the Joint Administrators' attempts to recruit new members to form a committee. The Joint Administrators have written to each committee to inform them of the making of Extension Applications. Copies of the notices sent to the committees are at [3/3/59] to [3/3/81] of SJH9. The Joint Administrators have also uploaded a notice addressed to all creditors of each Company onto the Nortel EMEA Administration proceedings website (<http://www.emeanortel.com/proceedings.html>), a copy of which is provided at [3/4/83] of SJH9. An update on any responses received by the Joint Administrators in connection therewith will be given to the Court at or before the Extension Applications' hearing.

D. GENERAL EMEA UPDATE

22. Following their appointment, the administrations have proceeded successfully and various sales of the Nortel group's business lines were concluded in 2010 in pursuit of the Joint Administrators' proposal to achieve a better result for creditors of the Company as a whole than would be likely if the Companies were wound up. The sales resulted in total global realisations of approximately US\$7.3 billion (the "**Sale Proceeds**"). A dispute in relation to the Sale Proceeds between the EMEA Debtors, the US Debtors and the Canadian Debtors, among other creditor constituencies was the subject of proceedings before the US and Canadian Courts (the "**Allocation Dispute**"). On 12 October 2016, the various parties to the Allocation Dispute entered into four settlement agreements comprising the Global Settlement: (a) the Settlement and Plans Support Agreement between (inter alia) the US Debtors, the Canadian Debtors and the Companies; (b) the UKPI Settlement Deed between (inter alia) the Companies and the UK Pension Interests – being the Trustee of the NNUK Pension Scheme and the Board of the Pension Protection Fund; (c) the Deed of Release between (inter alia) the Companies and the UK Pension Interests; and (d) the "**NNSA Settlement Deed**" between (inter alia) the Companies, the Joint Administrators, the Conflict Administrator and the Secondary Liquidator.
23. Mr Justice Snowden made an Order granting the Joint Administrators liberty to perform and to procure the Companies to perform the Global Settlement on 3 November 2016 ([3/5/85] of SJH9). The judgment given by Mr Justice Snowden is provided at [3/6/89] of SJH9.
24. The Global Settlement became effective on 8 May 2017 and the Sale Proceeds were released from the lockbox escrow accounts with each of the Companies receiving the allocation agreed as part of the Global Settlement in May 2017.

25. Part of the process of ensuring that creditors are paid distributions expeditiously includes the Joint Administrators continuing to ensure that they have sufficient cash to meet the potential expenses of each of the Companies (or, where there is a shortfall of cash, to continue to ensure that the maximum amount of cash remains available to pay the potential expenses). To that end on 5 April 2017, the Joint Administrators of each Company (other than NNSA) made an application for directions from the Court to the Joint Administrators to inform potential claimants that any claims which are asserted to rank as administration expenses under English law ("**Expense Claims**") which had not at that point been made must be notified to the Joint Administrators on a prescribed form (the "**Demand Form**") on or before a specified date (the "**Expense Bar Date**") (the "**Expense Application**").
26. On 9 June 2017, Mr Justice Snowden made Orders granting the Joint Administrators directions as sought regarding the Expense Claims (the "**Expense Orders**"). The Expense Bar Date was set for 27 October 2017 in the case of each of the applicant Companies, save for Nortel Italy for which the Expense Bar Date was set for 22 December 2017. Copies of the Expense Orders made by Mr Justice Snowden are provided at [3/7/109] to [3/18/232] of SJH9 and the judgment given by Mr Justice Snowden is provided at [3/19/233] of SJH9.
27. On 21 June 2018, the NNSA Administrators made an application similar to the Expense Application on behalf of NNSA, supported by Harris 6 and my seventh witness statement dated 10 July 2018, copies of which are at [3/1/1] and [3/20/255] of SJH9. Mr Justice Snowden made an Order granting the NNSA Administrators directions as sought regarding Expense Claims against NNSA ([3/21/261] of SJH9), with the Expense Bar Date being set for 29 January 2019 so as to dovetail with the timetable for the promulgation of a company voluntary arrangement ("**CVA**") for NNSA. A copy of Mr Justice Snowden's judgment is at [3/22/271] of SJH9.
28. Since receipt of the Sale Proceeds by each of the Companies and the granting of the Expense Orders, the Joint Administrators and their team have been continuing to progress the administrations including complying with the Court's directions regarding Expense Claims, investigating and adjudicating creditor claims, making significant distributions to each Companies' creditors (with the exception of NNSA), promulgating a CVA in respect of NNSA, and planning for the ultimate winding down of the Companies.
29. On 8 August 2018, the Joint Administrators applied for their appointments to be terminated in respect of six of the companies in the Nortel EMEA group (being Nortel Networks International Finance & Holding BV ("**NNIF**"), Nortel Networks AB ("**Nortel Sweden**"), Nortel Networks s.r.o. ("**Nortel Czech Republic**"), Nortel Networks Engineering Service Kft ("**Nortel Hungary**"), Nortel Networks Romania SRL ("**Nortel Romania**") and Nortel Networks Oy ("**Nortel Finland**"), together referred to as the "**Batch One Entities**"). The

applications were made in light of the successful completion of the CVAs relating to NNIF, Nortel Sweden, Nortel Hungary and Nortel Czech Republic and the distribution processes governed by Part 14 of the Rules relating to Nortel Romania and Nortel Finland. On 24 August 2018, Mr Justice Snowden made Orders terminating the Joint Administrators' appointments on the commencement of liquidation processes governed by the law of each Batch One Entity's jurisdiction of incorporation, which would be used to effect the final winding up and dissolution of the Batch One Entities. Copies of those Orders are at **[3/23/281]** to **[3/23/298]** of SJH9.

30. Liquidation processes were commenced in respect of NNIF on 26 September 2018, Nortel Finland on 28 September 2018 and Nortel Sweden on 8 October 2018 and the Joint Administrators' appointments ceased in relation to those Batch One Entities on those dates.
31. The Orders of Mr Justice Snowden dated 24 August 2018 specified that if the local liquidation processes were not commenced within 45 days of the date of the Order, or 60 days in the case of Nortel Czech Republic, then the matter was to be re-listed for hearing within 14 days. On 8 October 2018 the Joint Administrators requested that the Court grant an extension to that deadline in the case of Nortel Hungary and Nortel Romania as it became apparent that the orders of the Hungarian and Romanian courts appointing liquidators would not be made before expiry of the 45 day deadline. By Orders dated 9 October 2018, Mr Justice Snowden extended the deadline to 1 December 2018. Copies of the Joint Administrators' request by way of letter from HSF and of the Orders are at **[3/24/299]** and **[3/25/303]** to **[3/26/306]** of SJH9.
32. Following the filing of a motion on 7 November 2018 and the granting of a preliminary order on 26 November 2018, the Hungarian court made orders commencing liquidation proceedings and appointing a local liquidator, Pre-Holding Kft, on 27 November 2018 (copies of which are at **[3/27/307]** and **[3/28/309]** of SJH9). Accordingly the Joint Administrators' appointments ceased in relation to Nortel Hungary on 27 November 2018.
33. With regards to Nortel Czech Republic, on 3 October 2018 the Joint Administrators and directors of the company signed powers of attorney authorising the Joint Administrators' local counsel to hold a shareholder meeting to appoint liquidators. It was expected that the relevant action required to commence the liquidation, being the signing of a notarial deed in Czech Republic, would take place before the expiry of the 60 day deadline of 23 October 2018 set out in the Order of Mr Justice Snowden. However, the Joint Administrators were informed by their local legal advisers that the final signing of the notarial deed before a notary in Czech Republic did not take place until 29 October 2018.
34. The Joint Administrators filed a motion in the Romanian court requesting the appointment of liquidators to Nortel Romania on 15 November 2018. A hearing of the motion was listed

for 26 November 2018 at which it was anticipated that the liquidation order would be granted. While no issues or questions were raised at the hearing of the motion, the Romanian court reserved judgment until 3 December 2018. While the Joint Administrators' local legal advisers are confident that the liquidation order will be granted, they are bound by the Romanian court's decision to reserve judgment and as such the liquidation will not commence before the extended deadline of 1 December 2018 set out in Mr Justice Snowden's order dated 9 October 2018.

35. Accordingly, on 27 November 2018, the Joint Administrators' legal advisers wrote to the Court requesting that the Court grant an extension to the deadlines set out in the Court's Orders. By Orders dated 28 November 2018, Mr Justice Snowden extended the deadline in the case of Nortel Romania to 31 December 2018 and in the case of Nortel Czech Republic to 30 October 2018. Copies of the letter from HSF and of the Orders are at **[3/29/311]** and **[3/30/313]** to **[3/31/316]** of SJH9.
36. Accordingly all the Batch One Entities save Nortel Romania have now commenced local liquidation proceedings and the administration orders in respect of those entities have been discharged. The Joint Administrators will provide the Court with further update in respect of the liquidation of Nortel Romania at or in advance of the hearing of the Extension Applications.

E. NNUK

NNUK Proof Process and distributions

37. Permission to make a distribution to creditors of NNUK was granted by Order of Mr Justice Snowden dated 23 July 2015 (the Order and judgment are provided at **[4/1/1]** of SJH9 and **[4/2/7]** of SJH9 respectively). The Joint Administrators commenced the formal proof process pursuant to paragraph 65 of Schedule B1 to the Act and Chapter 10 of Part 2 of the Insolvency Rules 1986 (the "**1986 Rules**") on 30 July 2015 with a deadline for claims of 31 October 2015.
38. Owing to a number of uncertainties and as explained at paragraph 17 of Mr Bloom's thirteenth witness statement dated 1 December 2015 (at **[4/3/28]** of SJH9), the payment of this intended interim dividend did not prove to be possible or cost effective. The Court granted permission for the deadline set by Rule 2.97(1) of the 1986 Rules for the declaration of a first dividend to be extended. Copies of the relevant Orders of Mr Justice Snowden and Mr Justice Newey are at **[4/4/33]** and **[4/5/35]** of SJH9.
39. Following a further Order of Mr Justice Snowden's dated 3 November 2016 (**[3/5/85]** of SJH9) the Joint Administrators were required to declare the first dividend to creditors by the date ten weeks after the release of the Sale Proceeds to NNUK, being 4 August 2017. On 27 July 2017, the Joint Administrators gave notice to creditors that a dividend to non-

preferential creditors of 22.1p in the pound was declared in a first interim distribution. The total amount paid to non-preferential creditors in that initial distribution was £495,058,378. A copy of the Notice of Declaration of Dividend is provided at **[4/6/37]** of SJH9.

40. The Joint Administrators continued to make adjudications of a number of unsecured claims and have been able to release a number of reserves following the occurrence of the Expense Bar Date on 27 October 2017. On 5 December 2017 the Joint Administrators made a second interim distribution to non-preferential creditors of £371.49 million (including tax and national insurance payments for certain employee related claims), equivalent to 16.5p in the pound. A third interim distribution was made to non-preferential creditors on 24 August 2018 of £85.71 million, equating to 3.8p in the pound. As such to date NNUK's unsecured creditors have received a total of approximately £952.26 million or 42.4p in the pound. Copies of the two Notices of Declaration of Interim Dividends are provided at **[4/6/38]** and **[4/6/39]** of SJH9. As set out in paragraph 49 below, the Joint Administrators of NNUK expect further distributions to be made.
41. A small number of unsecured creditor claims await final adjudication by the Joint Administrators. 60 of these claims, with a combined value of approximately £3 million, were submitted by trade creditors during the informal proof process undertaken by the Joint Administrators in 2015 and 2016. Owing to the passage of time since the informal proof process the Joint Administrators have had difficulties obtaining further details from the creditors to allow them to reach a final decision and, where appropriate, make distributions. Three creditors, with asserted claims of combined value of approximately £1.1 million, have questioned the Joint Administrators' current intention to reject their asserted claims. The Joint Administrators have prudently reserved in full for payment of un-adjudicated and rejected claims while they continue their investigations. The Joint Administrators anticipate that these claims are capable of resolution and adjudication within the next twelve months.
42. Among the claims which are yet to be adjudicated by the Joint Administrators are approximately 168 potential claims received from former employees who have asserted claims against NNUK in respect of pension arrangements. These claims are said to arise as a result of reciprocal arrangements between companies in the Nortel group by which accrued benefits under the Nortel Networks UK Pension Plan would remain linked to salary during service with other companies in the Nortel group, rather than only service with NNUK. The Joint Administrators have investigated the validity of these claims and are now in the process of valuing and adjudicating the claims on an individual basis. The Joint Administrators have instructed a firm of actuaries to complete the valuation work and anticipate being able to value and adjudicate the vast majority of these reciprocal claims (where they have full information available) in early 2019. While the value of these claims is yet to be confirmed, the Joint Administrators have made prudent reserves to allow for future distributions if appropriate.

Further assets to be realised

43. NNUK had a number of pre-appointment intercompany claims against the other Companies. As set out in section F (*CVA Companies*) below, some of these pre-appointment intercompany claims have been discharged in full by the Companies. However NNUK still expects payments to be made by certain Companies, including a claim against NNSA which has yet to commence making distributions under the terms of the NNSA CVA, details of which are set out in section G (*NNSA*) below. NNUK expects to receive further distributions in respect of these intercompany claims from a number of the other Companies during the course of 2019.
44. NNUK is also expected to receive further distributions from other Companies on account of the "**CCAA Subordinated Debts**". These relate to certain intercompany trading balances originally due from certain Companies to the Canadian Debtors but which were assigned to NNUK following an agreement in July 2014 settling certain claims between the Companies and the Canadian Debtors. 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. It is currently expected that NNUK is to receive distributions on account of CCAA Subordinated Debts from Nortel Netherlands, Nortel Portugal, Nortel Belgium, Nortel Poland and likely from Nortel Germany.
45. NNUK is also due to receive distributions from a number of entities in the worldwide Nortel group. NNUK also has a number of claims, including pre-appointment intercompany claims, against NNL (Canada). An initial distribution to NNUK was made by NNL (Canada) on 11 July 2017 at a rate of approximately 41.5%. The Monitor appointed by the Ontario Court of Justice to manage the affairs of NNL (Canada) has indicated to the Joint Administrators that NNL (Canada) is to make additional distributions to creditors including NNUK in December 2018 and into 2019 with final recovery to creditors anticipated to be approximately 45%. A number of claims also exist against Nortel entities in Asia which require collection in the course of the winding down of those estates during the course of 2019.
46. In addition to its intercompany claims, as the ultimate shareholder in the Nortel EMEA group (with the exception of NNF, NNSA and Nortel Ireland) by way of its shareholding in NNIF, the intermediate holding company in the Nortel EMEA group structure, NNUK is due to receive any surplus remaining in certain companies in the Nortel EMEA group. A summary corporate structure chart of the Companies is provided at [4/7/41] of SJH9.
47. On 26 September 2018, NNIF was placed into a Dutch law governed liquidation the purpose of which is to finalise the affairs of that company and allow the distribution of a substantial surplus of approximately €55 million of surplus cash held in NNIF to NNUK as shareholder. The distribution by the liquidators of NNIF of the majority of the surplus at

NNIF is anticipated to take place by the end of January 2019 following the passage of a two month statutory advertising period required under Dutch insolvency law. The Joint Administrators of NNUK anticipate making a fourth interim distribution following the receipt of this sum from NNIF in early 2019.

48. NNIF is also the parent of three companies in the Nortel EMEA group which did not enter into any insolvency proceedings in 2009. These companies are referred to as the "**Non-Filed Entities**" and made up of Nortel Networks AS ("**Nortel Norway**"), Nortel Networks South Africa Pty ("**Nortel South Africa**") and Nortel Networks AG ("**Nortel Switzerland**"). Liquidation proceedings were commenced in respect of Nortel Switzerland on 14 June 2018 and are due to complete in the first half of 2019. Nortel South Africa and Nortel Norway remain under the control of their directors. Each of the Non-Filed Entities holds cash assets which the Joint Administrators hope to be able to recover for the benefit of NNUK's unsecured creditors. Prior to the Global Settlement and the resolution of certain claims between the Nortel group entities, it would not have been possible for the Non-Filed Entities to make distributions to NNUK. Since the Global Settlement, the Joint Administrators have been focused on the significant distributions made to NNUK's creditors to date and only since those significant distributions have been made has it become necessary to determine the approach to recovering the relatively small cash assets held by the Non-Filed Entities. The approach to be taken by the Joint Administrators of NNUK will be further considered with the liquidator of Nortel Switzerland, and also explored with the directors of Nortel Norway and Nortel South Africa, and the NNUK Creditors' Committee.
49. In addition to the cash currently held by NNIF, it is expected that approximately £2.6 million of cash surplus held by Nortel Sweden, which was placed into a Swedish liquidation process on 8 October 2018, and approximately £4.5 million of surplus cash held by Nortel Spain, which is expected to enter liquidation in the first quarter of 2019, will be distributed by those Companies to NNIF for onward distribution to NNUK during the course of 2019. It is also expected that the Non-Filed Entities may also realise between approximately £2.5 million and £3 million. The Joint Administrators anticipate that they will not be in a position to make a final distribution to the creditors of NNUK until the affairs of these other Companies and entities in the group which are potentially due to distribute surplus assets to NNUK as shareholder are finally wound up.

Exit

50. Subject to their completion of the adjudication process for certain claims against NNUK and the receipt of outstanding assets from intercompany debtors and subsidiaries, the Joint Administrators of NNUK anticipate making further distribution to creditors during the course of 2019. In addition to the fourth interim distribution expected following the expected receipt of the NNIF cash surplus in early 2019, the Joint Administrators anticipate making a fifth

distribution in the third quarter of 2019 and a final distribution prior to the discharge of the administration.

51. While there is still value to be realised from the group and distributions to be made by the Joint Administrators in accordance with paragraph 65 of Schedule B1 to the Act and pursuant to Order of Mr Justice Snowden dated 23 July 2015, the purpose of the administration of NNUK cannot be said to have been sufficiently achieved.
52. Once further assets have been realised and distributions made to the creditors of NNUK, the Joint Administrators would hope to be able to move NNUK into liquidation in accordance with paragraph 89 of Schedule B1 to the Act. However the Joint Administrators consider that moving to liquidation at this stage in the administration would be hugely disruptive to the affairs of NNUK and damaging to its creditors' interests.

F. CVA COMPANIES

Progress of the CVAs

53. On 25 June 2015, the Joint Administrators applied to the Court for liberty to promulgate CVAs in respect of each of the Companies other than NNUK. In Mr Bloom's eleventh witness statement dated 25 June 2015 ("**Bloom 11**"), the Joint Administrators set out that CVAs were considered by them to be the most appropriate process by which to determine the liabilities of the CVA Companies and effect distributions to creditors under and in accordance with local laws in line with certain assurances given by the Joint Administrators to creditors. A copy of Bloom 11 is provided at **[4/8/43]** of SJH9.
54. Mr Justice Snowden made an Order dated 23 July 2015 granting the Joint Administrators liberty to promulgate CVAs in substantially the outline terms summarised in Bloom 11 in respect of each of the Companies other than NNUK and NNSA (the position in relation to NNSA is explained in Section G (NNSA) below). The judgment given by Mr Justice Snowden is provided at **[4/2/7]** of SJH9.
55. In April 2017, the Joint Administrators proposed CVAs to the creditors of each Company except NNUK and NNSA (the "**CVA Companies**").
56. During the summer of 2017, all of 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 and the Notice of Effective Date (which is sent to creditors and posted on the Joint Administrators' website) at **[4/9/73]** to **[4/9/148]** of SJH9.
57. I set out in the table below the relevant dates for each of the CVAs. The "**Effective Date**" is the business day after the creditors' meeting. The "**Implementation Date**" is the date 28

days after the Effective Date. The "**CVA Bar Date**" is the date four months after the Effective Date.

Company	Notice of CVA	CVA Meeting	Effective Date	Implementation Date	CVA Bar Date
Nortel Germany	5 April 2017	24 May 2017	25 May 2017	22 June 2017	25 September 2017
NNF	5 April 2017	11 May 2017	12 May 2017	9 June 2017	12 September 2017
Nortel Italy	5 April 2017	5 May 2017	8 May 2017	5 June 2017	8 September 2017
Nortel Portugal	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Spain	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Poland	5 April 2017	16 May 2017	17 May 2017	14 June 2017	18 September 2017
Nortel Austria	5 April 2017	19 May 2017	22 May 2017	19 June 2017	22 September 2017
Nortel Slovakia	5 April 2017	26 May 2017	30 May 2017	27 June 2017	30 September 2017
Nortel Belgium	5 April 2017	31 May 2017	1 June 2017	29 June 2017	2 October 2017
Nortel Netherlands	5 April 2017	12 June 2017	13 June 2017	11 July 2017	13 October 2017
Nortel Ireland	28 April 2017	2 June 2017	3 June 2017	2 July 2017	5 October 2017

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

as it relates to the CVA Companies for the period since her appointment as CVA Supervisor and to the best of her knowledge, she considers it to be accurate.

Distributions to creditors of CVA Companies

59. As is set out in the sixth column in the table at paragraph 57 above, the CVA Bar Dates by which creditors were required to lodge claims in the CVA against the respective CVA Company have now passed and the CVA Supervisors have completed the adjudication process for the majority of claims.
60. In Bloom 16 and my confidential witness statement dated 1 November 2016, the Joint Administrators set out that it was our expectation that each of the Companies other than NNUK, Nortel Ireland and NNSA will return 100p in the pound to their unsecured creditors and some may also pay a commercial rate of interest. To date the vast majority of claims submitted to the CVA Supervisors have been adjudicated and, save for a small number of unsecured creditors whose claims are yet to be finally adjudicated, the majority of creditors of the CVA Companies (including Nortel Ireland) with "**Allowed Claims**", being claims which have been admitted by the CVA Supervisors, have received 100% of their claims (save for a number of CCAA Subordinated Debts as described at paragraph 44 above).
61. Creditors of Nortel Belgium, Nortel Poland, NNF, Nortel Spain and Nortel Portugal have all received payment in full of Commercial Interest for the period since our appointment on their claims in accordance with the terms of the relevant CVA.
62. The terms of each CVA provide that interest and subordinated claims may only be paid once all unsecured claims have been determined and paid in full. Until all unsecured claims have been paid in full and any reserves made on account of any "**Disputed Claims**", being claims in respect of which the CVA Supervisors' adjudication has been challenged by a creditor, have been released, the CVA Supervisors will not make any payment of interest or certain intercompany subordinated claims.
63. Set out below is a summary of the progress of the CVA Companies to date. Each summary sets out distributions made to date, whether outstanding distributions are still required and, where further distributions are required, what steps the Joint Administrators are taking to allow these distributions to take place. I also address what further work is required more generally in the administrations and the Joint Administrators proposals for the termination of their appointment.
64. Nortel Germany
 - 64.1 The CVA Supervisors have adjudicated all claims received before the CVA Bar Date. The total value of these claims was £2,190,337,174 (including a significant contingent claim submitted by the UK Pension Regulator), of which £38,676,695 were admitted for payment.

- 64.2 An initial distribution was declared on 5 December 2017 and a second distribution was declared on 17 August 2018, with unsecured creditors being paid 100% on account of the principal of their claims and 50% of their entitlement to Commercial Interest in accordance with the Terms of the CVA at 3.07% per annum.
- 64.3 There are two outstanding receivables due to Nortel Germany for which the Joint Administrators have been taking steps to recover for a number of years. These receivables are due from two entities that are in longstanding insolvency processes. The Joint Administrators are working to understand the likely timing of any distributions to Nortel Germany. It is becoming apparent that distributions may not be made in the short term and as such the Joint Administrators are considering whether it is necessary to assign those receivables to a third party to allow further payments to creditors to Nortel Germany without further delay to the administration.
- 64.4 If the two outstanding receivables are realised in the short term, the Joint Administrators expect Nortel Germany to have sufficient assets available for distribution to settle the remaining Commercial Interest outstanding to creditors under the CVA in full with the possibility of a return available to NNUK on account of its CCAA Subordinated Debts. Following the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the second quarter of 2019 and for Nortel Germany to be dissolved in accordance with German law (see paragraphs 76 to 81 below).
65. Nortel Ireland
- 65.1 The CVA Supervisors have adjudicated 137 of the 142 claims received before the CVA Bar Date. The total value of claims received by the CVA Supervisors amounted to £2,235,139,165 (including a significant contingent claim submitted by the UK Pension Regulator). Claims to the value of £61,903,655 have been admitted by the CVA Supervisors with five unsecured claims totalling approximately £1.25 million yet to be adjudicated.
- 65.2 An initial distribution of 90p in the pound was made on 16 March 2018 and a second distribution of 10p in the pound was made on 17 August 2018 with unsecured creditors being paid a total of 100% on account of the principal of their claims.
- 65.3 The CVA Supervisors expect there to be sufficient assets to allow an element of Commercial Interest to be paid to unsecured creditors. The CVA Supervisors' ability to make this payment and the quantum of Commercial Interest which could be paid are chiefly dependent on the Joint Administrators' efforts to recover

approximately €10.1 million of a tax refund covering the years 2009 to 2016 from the Irish Revenue Commissioners. The refund has been under discussion with the Revenue Commissioners since November 2017, when the Company was able to resubmit its 2009 to 2016 corporate tax returns with details of the actual amount received from the Sale Proceeds rather than the higher estimated figures which had been submitted previously and which had resulted in an overpayment of tax by Nortel Ireland.

65.4 The Joint Administrators and their advisers continue to liaise with the Irish Revenue Commissioners to obtain payment of the refund as quickly as practicable to allow final distributions of Commercial Interest to be made to unsecured creditors. Provided that the payment of the refund is obtained in the first half of 2019, the Joint Administrators would expect to have sufficient assets available for distribution to settle an element of the Commercial Interest outstanding to creditors under the CVA and terminate the CVA in the third or fourth quarter of 2019. This would allow the Joint Administrators to make an application to Court for their discharge from office very shortly after and for steps to be taken for Nortel Ireland to be removed from the register at the Irish Companies Registration Office without the need for Irish law governed liquidation.

66. NNF

66.1 The CVA Supervisors have adjudicated all 77 claims received in advance of the CVA Bar Date. The total value of claims submitted was €2,381,473,999 (including a significant contingent claim submitted by the UK Pensions Regulator), of which €5,917,143 has been admitted for payment.

66.2 An initial distribution was made on 5 December 2017 and a second and final distribution was made on 21 June 2018. In total unsecured creditors have been paid 100% on account of the principal of their claims and 100% of their entitlement to Commercial Interest at 3.6% per annum. Following the distributions, NNF holds approximately €15 million of surplus cash available for distribution to its ultimate shareholder, NNSA.

66.3 The Joint Administrators will continue to liaise with the French Tax Authority with regards to an Expense Claim it submitted prior to the Expense Bar Date. The Expense Claim relates to interest and penalties for the period after our appointment on unsecured claims said to arise under French law. The Joint Administrators are hopeful that the French tax authority will withdraw this Expense Claim on the basis that the Terms of the CVA do not allow for the payment of post-appointment statutory interest. The Terms of the CVA only allow for payment of Commercial Interest, which has already been paid in full. Once

this outstanding Expense Claim is resolved, the CVA Supervisors intend to take the necessary steps to terminate the NNF CVA.

- 66.4 The Joint Administrators expect to be in a position to seek their discharge in the first quarter of 2019. Rather than by way of a local liquidation, the Joint Administrators propose that the affairs of the Company be resolved by way of a French law merger. The first step involves the dissolution without liquidation of the Company's immediate dormant parent company Northern Telecom France S.A.S ("**NTF**"), following which the shares in NTF will be pass by operation of law to NNSA. The second step involves a merger by way of a universal transfer of all assets and liabilities of NNF to NTF. The Joint Administrators consider that a merger would be the most efficient way to distribute the €15 million surplus cash in NNF and minimise complications and delays that could arise out of an intra-group loan under which NNSA owes NNF approximately €52m. The Joint Administrators anticipate that the merger of NNF and NNSA will become effective in the first quarter of 2019.

67. Nortel Italy

- 67.1 The CVA Supervisors have adjudicated 111 of the 114 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,153,275,402 (including a significant contingent claim submitted by the UK Pension Regulator), of which £4,911,629 has now been admitted for payment. Three claims totalling £126,679 are subject to final adjudication by the CVA Supervisors and are expected to be finally determined in the next few months.
- 67.2 An initial distribution was made on 16 March 2018. Creditors with Local Priority Claims received 100% of the principal of those claims and other unsecured creditors received 95% of the principal of their unsecured claims.
- 67.3 No further interim distributions have been made while the Joint Administrators investigate and agree a potential tax refund which may be due from the Italian tax authority. The Joint Administrators' tax team are working closely with the local team and the Italian tax authority in order to finalise these matters and hope to conclude the matter in the coming months. Once the amount of that refund is known, the CVA Supervisors will be in a position to assess the amount available for the final distribution to Nortel Italy's creditors. It is expected that this should be at least the remaining 5% of principal outstanding to the unsecured creditors of the Company. It is not certain that any payment will be made to creditors on account of Commercial Interest.
- 67.4 The only other asset due to Nortel Italy is a pre-appointment intercompany claim against NNL (Canada). An initial distribution to Nortel Italy was made by NNL (Canada) on 11 July 2017 at a rate of approximately 41.5%. The Monitor

appointed by the Ontario Court of Justice to manage the affairs of NNL (Canada) has indicated to the Joint Administrators that NNL (Canada) has indicated to the Joint Administrators that NNL (Canada) is to make additional distributions to creditors including Nortel Italy in December 2018 and into 2019 with final recovery to creditors anticipated to be approximately 45%.

67.5 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the third quarter of 2019.

68. Nortel Belgium

68.1 The CVA Supervisors have adjudicated 45 of the 46 claims received before the CVA Bar Date. The total value of claims submitted was £2,160,142,902 (including a significant contingent claim submitted by the UK Pension Regulator), of which £11,754,157 have now been admitted for payment. One claim submitted with a value of £270,771 is subject to final adjudication by the CVA Supervisors and is expected to be determined in the next few months.

68.2 A first distribution was made on 5 December 2017 with a second interim distribution made on 17 August 2018, with unsecured creditors being paid 100% on account of the principal of their claims and 100% of their entitlement to Commercial Interest at 4.13% per annum. In addition, distributions were made to NNUK on account of its CCAA Subordinated Claims of 12.5p in the pound. The CVA Supervisors are currently planning the final distribution that is expected in the first quarter of 2019.

68.3 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the first quarter of 2019 and for Nortel Belgium to be placed into a local liquidation process (see paragraphs 76 to 81 below).

69. Nortel Netherlands

69.1 The CVA Supervisors have adjudicated 79 of the 87 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,170,890,932 (including a significant contingent claim submitted by the UK Pension Regulator), of which £16,309,910 has now been admitted for payment. A first distribution was made on 5 December 2017 with unsecured creditors being paid 95% on account of the principal of their claims.

69.2 Eight claims totalling £843,637 are subject to final adjudication by the CVA Supervisors and are expected to be finally adjudicated in the next few weeks. The CVA Supervisors needed to resolve potential pension claims received a number

of individual former employees. The adjudication process for these claims will be completed in the coming weeks and, subject to any creditor challenging the CVA Supervisors' decisions, the Joint Supervisors should be in a position to proceed with the final distribution in the coming months.

69.3 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the third quarter of 2019, if not sooner, and for Nortel Netherlands to be placed into a local liquidation process (see paragraphs 76 to 81 below).

70. Nortel Poland

70.1 The Joint Supervisors have adjudicated all 31 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,160,420,939 (including a significant contingent claim submitted by the UK Pension Regulator), of which £12,938,030 was admitted for payment. There are no outstanding claims requiring adjudication.

70.2 A first distribution was made on 5 December 2017 and a second interim distribution was made on 17 August 2018, with unsecured creditors being paid 100% of the principal of their claims and 100% of their entitlement to Commercial Interest at 5.46% per annum. In addition, distributions were made to NNUK on account of its CCAA Subordinated Claims of 61p in the pound. Subject to confirming the Company's tax position, the CVA Supervisors currently expect to make the final distribution to NNUK in the first quarter of 2019.

70.3 Prior to terminating the CVA and making an application for their discharge, the Joint Administrators are implementing a compliance and tax audit of Nortel Poland to ensure that all tax returns and supporting documentation have been submitted appropriately to the relevant authorities. The Joint Administrators are also engaged in the submission of withholding tax returns following certain payments by the Company.

70.4 Once these formalities are complete and the Joint Administrators have identified the most appropriate exit route, the Joint Administrators intend to make an application to Court for an order to terminate the administration of the Company. They expect to be able to make that application in the second quarter of 2019.

71. Nortel Spain

71.1 The CVA Supervisors have adjudicated the 72 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,156,729,796 (including a significant contingent claim submitted by the UK Pension Regulator), of which claims totalling £8,699,674 were admitted for payment.

- 71.2 A first distribution was made on 5 December 2017 and a second and final distribution was made on 10 August 2018 with unsecured creditors and NNUK as subordinated creditor receiving payment of 100% of the principal of their claims and Commercial Interest being paid to creditors in full at a rate of 4.15% per annum. With no further claims to adjudicate or satisfy, on 12 November 2018 the CVA was terminated.
- 71.3 The Company holds surplus cash of approximately £4.5 million which will be available for distribution to the Company's shareholder, NNIF, in a Spanish law solvent liquidation. The only other asset of which the Joint Administrators are aware is a potential tax refund which is believed to be due from the Spanish tax authority. The Joint Administrators believe it is appropriate that recovery of this potential asset is dealt with in the proposed liquidation of the Company.
- 71.4 The Joint Administrators are in the process of completing their statutory obligations and are working with local legal advisors to understand the legal processes required in Spain to place the company into liquidation. It is expected that this liquidation will commence in early 2019, and for Nortel Spain to be placed into a local liquidation process (see paragraphs 76 to 81 below).

72. Nortel Portugal

- 72.1 The Joint Supervisors have adjudicated all 33 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,148,251,658 (including a significant contingent claim submitted by the UK Pension Regulator), of which £1,111,255 was admitted for payment.
- 72.2 A first distribution was made on 5 December 2018 and a second interim distribution was made on 17 August 2018, with the result that unsecured creditors received 100% of the principal of their claims and Commercial Interest was paid to creditors in full at a rate of 4.32% per annum.
- 72.3 The CVA Supervisors are currently planning the final distribution to NNUK on account of its CCAA Subordinated Debt and expect to make that distribution in January 2019. The CVA Supervisors had hoped to make the final distribution earlier in 2018. However, during the course of 2018 the Portuguese Tax Authority requested the opening of a tax audit into the Company's tax affairs in respect of the 2014 financial year. The tax audit was completed in September 2018 and no request was made of the Joint Administrators to make payment of any additional tax.
- 72.4 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the first quarter of 2019, and for Nortel

Portugal to be placed into a local liquidation process (see paragraphs 76 to 81 below).

73. Nortel Slovakia

73.1 The Joint Supervisors have adjudicated all 17 CVA Claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,148,471,050 (including a significant contingent claim submitted by the UK Pension Regulator), of which £1,399,490 has been admitted for payment.

73.2 A first distribution was made on 5 December 2017 with unsecured creditors being paid 95% on account of the principal of their claims.

73.3 The CVA Supervisors are currently planning the second and final distribution to creditors of Nortel Slovakia that is expected in the first quarter of 2019. It was not possible for the CVA Supervisors to make the final distribution earlier as further forecasting work was required to determine the quantum of a further equity injection (referred to herein as a "**top-up payment**") to allow payment of all unsecured creditors in full, or whether such a payment was required at all. The top-up payments were agreed as part of the Global Settlement and made by NNUK to other Companies 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 and as such complex forecasting work is required to determine the quantum of any such payment.

73.4 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the second quarter of 2019, if not sooner, and for Nortel Slovakia to be placed into a local liquidation process (see paragraphs 76 to 81 below).

74. Nortel Austria

74.1 The CVA Supervisors have adjudicated all 34 CVA Claims received in advance of the CVA Bar Date. The total value of claims submitted were £2,148,915,428 (including a significant contingent claim submitted by the UK Pension Regulator), of which £1,631,805 were admitted for payment.

74.2 A first distribution was made on 5 December 2017 and a second interim distribution was made on 17 August 2018, resulting in unsecured creditors receiving 95% of the principal of their claims.

- 74.3 The CVA Supervisors are currently planning the third and final distribution that is expected in or around January 2019. As with Nortel Slovakia, it has not been possible for the CVA Supervisors to make the final distribution earlier as further forecasting work was required to determine the quantum of a potential further top-up payment to allow payment of all unsecured creditors in full, or whether such a payment was required at all.
- 74.4 Following the making of the final distribution, the CVA Supervisors expect to terminate the CVA allowing the Joint Administrators to make an application to Court for their discharge from office in the first quarter of 2019, and for Nortel Austria to be dissolved, following liquidation if appropriate (see paragraphs 76 to 81 below).

Further assets and subsequent distributions

75. The primary uncollected assets of the CVA Companies are a number of pre-appointment intercompany claims against certain of the other Companies in the Nortel EMEA group. While payments on account of the vast majority of these claims have been received, final amounts are yet to be paid and certain CVA Companies also have pre-appointment intercompany claims due from NNSA. The Joint Administrators anticipate that these CVA Companies should receive distributions in the course of 2019. In certain circumstances, where a CVA Company expects to receive a further payment from another CVA Company and cannot make payment to its own creditors before having received that payment, the Joint Administrators of NNUK have agreed to consider an assignment of the receivables for value. This would allow the CVA Company to make final distributions to its creditors and the termination of its CVA without incurring significant delay awaiting payment of the intercompany claims. Further details of distributions expected to be made by NNSA appear at paragraph 92 below.

Exit Strategies

76. As set out above, following the final distribution by the CVA Supervisors of each CVA Company the CVA Supervisors anticipate that they will be in a position to terminate the CVA of that CVA Company by giving notice to the creditors.
77. At or around the same time, the Joint Administrators anticipate making an application to Court to terminate the administration of that CVA Company in accordance with paragraph 79 of Schedule B1 to the Act. To ensure the orderly winding up of each CVA Company, such a termination would in most cases need to be conditional on the commencement of a process to wind up that CVA Company in accordance with the law of the jurisdiction of that CVA Company's incorporation.

78. As I explained at paragraph 29 above, in August 2018 the Joint Administrators made similar applications in respect of the Batch One Entities, supported by my eighth witness statement dated 8 August 2018 ("**Harris 8**") a copy of which is at [4/10/149] of SJH9. On 24 August 2018, Mr Justice Snowden granted Orders that the joint administrators' appointments of the Batch One Entities terminate on the commencement of the local liquidation process. Copies of the Orders and Mr Justice Snowden's judgment are at [3/23/281] to [3/23/298] and at [4/11/203]. While in some cases the commencement of the local liquidation processes has taken significantly longer and required more work than initially anticipated, the Joint Administrators believe that the process has worked well and the transition from English law administrations to local law liquidations has been smooth. They therefore propose to take a similar approach to the CVA Companies.
79. As with Batch One Entities, the process required to wind up the affairs of each CVA Company will vary in the first instance by the jurisdiction of that CVA Company's incorporation. The type of local law process will also vary between those CVA Companies which have sufficient assets to return a surplus to their shareholder(s) (the "**Equity Distributing CVA Companies**") and those CVA Companies which will be able to make distributions to all creditors on account of their unsecured claims in full (save in respect of certain intra-group subordinated claims) but will not be able to return any surplus to their shareholder(s) (the "**Non-Equity Distributing CVA Companies**").
80. The Equity Distributing CVA Companies are currently expected to include Nortel Spain, Nortel Portugal and NNF. It is also possible that there are sufficient assets in Nortel Netherlands to allow it to be an Equity Distributing CVA Company. In each case, the Joint Administrators are taking local legal and accounting advice regarding the most efficient process available to make distributions to that CVA Company's shareholder(s) prior to having that CVA Company removed from the local register of companies. As the intermediate holding company in the Nortel EMEA group, NNIF will be responsible for receiving distributions of any surplus from any other Equity Distributing CVA Company (other than NNF, for which see paragraph 82 below) and, in turn, making distributions of that surplus to NNUK.
81. For those other CVA Companies which the Joint Administrators anticipate will be Non-Equity Distributing CVA Companies, the Joint Administrators are similarly taking local legal and accounting advice regarding the most efficient process available under the laws of that CVA Company's jurisdiction of incorporation to have the CVA Company removed from the local register of companies once the CVA is concluded.
82. In the case of NNF, as set out at paragraph 66.4 above, the Joint Administrators propose to distribute the anticipated surplus in NNF to NNSA by way of French law governed merger.

G. NNSA

NNSA CVA

83. Liberty to promulgate a CVA in respect of NNSA (the "**NNSA CVA**") was granted by Order of Mr Justice Snowden dated 23 July 2015 (provided at **[4/1/1]** of SJH9).
84. The NNSA Administrators decided not to seek to promulgate the NNSA CVA in 2017 at the same time as the CVAs of the CVA Companies. The basis on which the NNSA Administrators made that decision is that NNSA has a Secondary Proceeding in France (as explained in paragraph 16 above) and it was thought better to allow the Secondary Proceeding to continue to progress its own claims process following its receipt of the Sale Proceeds. The Secondary Proceeding's claims process in respect of certain classes of claim which rank in priority to unsecured claims as a matter of French law ("**Priority Claims**") completed in 2018 and has resolved a certain number of Priority Claims, including potential expense claims which ought to simplify the proving process in the Main Proceeding in part. The Secondary Proceeding is primarily focused on agreeing those Priority Claims as it is anticipated pursuant to the terms of the NNSA Settlement Deed that the Secondary Proceeding will be responsible for paying all Priority Claims under French law and that the NNSA CVA will deal with proving claims and making distributions to the unsecured creditors of NNSA.
85. In advance of issuing the proposal for the NNSA CVA, the NNSA Administrators held meetings with representatives of the Secondary Liquidator and members of the NNSA Administrators' team have recently been provided with certain details of the French priority and unsecured claims already submitted into the Secondary Proceeding. The NNSA Administrators are also in discussions with the Secondary Proceeding regarding the settlement of certain large claims, including potential claims of the French tax authority and that of the former landlord of NNSA.
86. The Secondary Proceeding and the NNSA Administrators were also able to complete settlements with certain former employees of the Company between June and December 2017, further details of which are provided at paragraph 31 of Harris 5 (**[1/19/390]** of SJH9). In summary, the settlements allow for the withdrawal of certain claims alleged by former employees of NNSA against NNUK and other Nortel group companies. Former employees may seek to bring claims against the Main Proceeding by submitting claims in the NNSA CVA or by way of an Expense Demand Form where they believe their claims should rank as Expense Claims.
87. On 24 August 2018, the Joint Administrators issued a proposal for a CVA which provided for a mechanism to distribute cash to NNSA's creditors as quickly as possible. A copy of

the proposal issued to creditors and members is at [4/12/213] of SJH9. The main objectives of the NNSA CVA are:

- 87.1 to implement a date by which claims of creditors must be submitted to enable the assets of NNSA to be distributed as quickly as possible;
 - 87.2 to provide a mechanism to facilitate payment by NNSA to its creditors; and
 - 87.3 to provide a framework for certain releases of the NNSA Administrators and their advisers.
88. The principles and certain key terms of the NNSA CVA include those agreed between the NNSA Administrators and the Secondary Liquidator and set out in Schedule 4 (*The NNSA CVA*) to the NNSA Settlement Deed, as amended and restated on 1 March 2017, a copy of which is provided at [4/13/375] of SJH9.
89. At meetings of NNSA's creditors and members held in Paris on 5 October 2018 in accordance with section 3 of the Act, the creditors and members of NNSA unanimously approved the proposed NNSA CVA without modification. I have provided a copy of the Chairman's report of the meeting, which was filed at Court on 9 October 2018, and Form CVA1 (*Notice to the registrar of Companies of Voluntary Arrangement Taking Effect*) at [4/14/471] of SJH9. The Effective Date occurred on 9 October 2018 and the Implementation Date, being the date 28 days after the Effective Date where no challenge to the CVA is filed, took place on 6 November 2018. Copies of the Notices of the Effective Date and Implementation Date, which are sent to creditors and posted on the Joint Administrators' website, are at [4/15/485] and [4/15/486] of SJH9.
90. The CVA Bar Date falling four months after the Effective Date and by which creditors of NNSA must submit their claims is 11 February 2019. To date, approximately 70 CVA Claims have been received by the NNSA Supervisors with a total value of approximately €212 million.
91. As set out in the terms the NNSA CVA, I was appointed as a supervisor of, together with Mr Bloom, Mr Hudson and Joanne Hewitt-Schembri, of E&Y and the Conflict Administrator. Where I use the term "**NNSA Supervisors**" I am referring collectively to myself, Mr Bloom, Mr Hudson, Ms Hewitt-Schembri and Mr Taylor. HSF have provided Ms Hewitt-Schembri with a copy of this statement and she has confirmed to them that, so far as it relates to the NNSA for the period since her appointment as NNSA Supervisor and to the best of her knowledge, she considers it to be accurate.
92. In advance of issuing the NNSA CVA, the NNSA Administrators took steps to investigate certain key pre-appointment claims of which they are aware and therefore hope to be able to adjudicate a number of significant claims in the near future. The Terms of the NNSA CVA set out that any claim with a submitted value in excess of €1,000 may only be determined by two NNSA Supervisors, one of whom must be the Conflict Administrator.

Subject to any reserves required to be made on account of disputed pre-appointment claims or Expense Claims, the NNSA Supervisors expect to be in a position to make an initial distribution to creditors late in the second quarter of 2019.

NNSA Expense Claims

93. As set out at paragraph 27 above, in light of the anticipated promulgation of the NNSA CVA, on 21 June 2018 the NNSA Administrators issued an Expense Application, supported by Harris 6, to enable them to make distributions to unsecured creditors of NNSA. On 17 July 2018, Mr Justice Snowden made an Order granting the Expense Application and setting 29 January 2019 as an Expense Bar Date for the submission of Expense Claims (**[3/21/261]** of SJH9). In accordance with the terms of that Order, the NNSA Administrators sent Explanatory Letters and Expense Demand Forms to all creditors and those persons known to have asserted potential Expense Claims before 31 August 2018. Copies of the Explanatory Letters and Expense Demand Forms were included with the proposal for the CVA issue on 24 August 2018. Due to an administrative error, the advertisement of the Expense Bar Date required by the Order did not appear in Les Echos newspaper until 12 September 2018. Following an application by the NNSA Administrators by letter from HSF dated 13 September 2018, Mr Justice Snowden excused the failure to comply with the original Order and extended the date for advertisement until 12 September 2018. A copy of the Order of Mr Justice Snowden extending the date for compliance with the original Order dated 2 October 2018 and a copy of the advertisement are at **[4/16/487]** and **[4/17/489]** of SJH9 respectively.
94. To date, a number of Expense Claims have been submitted to the NNSA Administrators including by a number of former employees of NNSA. The NNSA Administrators will seek to determine these claims and, where they are unable to do so, they will seek such directions from the Court as are necessary.
95. To date, no Expense Claim has been received from the French Tax Authority. In paragraph 90 of Harris 6 (**[3/1/21]** of SJH9), the NNSA Administrators set out that they intended to send a pro forma tax calculation to the French Tax Authority by no later than 29 October 2018. This would provide the French Tax Authority with sufficient information to enable it to determine whether any tax is due for the financial year ending 2018 and to submit an Expense Claim before the Expense Bar Date. While both the Secondary Proceeding and the Main Proceeding have paid certain taxes associated with the receipt of the Sale Proceeds, the tax affairs of NNSA are principally managed by the Secondary Proceeding. The Secondary Proceeding also prepares the annual financial accounts for NNSA which form the basis of any pro forma tax calculation. The NNSA Administrators have been working closely with the Secondary Proceeding and its tax advisers to help complete the annual accounts and pro forma tax calculation. However, owing to the complexity

surrounding certain of the Company's assets and liabilities (including intercompany receivables), the pro-forma tax calculation has not yet been completed and issued to the French Tax Authority. It remains the view of both the NNSA Administrators and the Secondary Proceedings that no tax will be due to the French Tax Authority for the financial year ending 31 December 2018 and that in fact a significant tax refund will fall due to NNSA towards the end of the administration by way of a "long period" refund covering each of the years of the liquidation of the Company. In acknowledging that the French Tax Authority may require a pro forma tax calculation in order to submit an Expense Claim, the Joint Administrators will not impose a bar on any Expense Claim submitted by the French Tax Authority where that Expense Claim is submitted within 3 months of the issue of the pro-forma tax calculation and will, if necessary, return to Court for further directions should the French Tax Authority indicate that it has any difficulty in complying with the Expense Bar Date.

Distributions and exit from administration

96. In an estimated outcome statement included with the NNSA CVA proposal ([4/12/303] of SJH9), the NNSA Administrators set out a lower range of between 43.6c in the euro and an higher range of 100c in the euro with the potential for approximately €5.6 million available for the payment of interest to creditors for the period from the date of the Joint Administrators' appointment. Before the passing of the CVA Bar Date and the Expense Bar Date, the NNSA Supervisors are not able to provide a further indication of the anticipated quantum of the initial distribution anticipated to be made in the second quarter of 2019 nor is it possible to give a firm indication as to when a final distribution will be made and the NNSA CVA terminated.
97. However, the NNSA Supervisors would expect to terminate the CVA allowing the NNSA Administrators to make an application to Court for their discharge from office before 31 December 2019. Following their achievement of the objectives of the NNSA administration and their discharge, the Joint Administrators anticipate that responsibility for the final dissolution of NNSA would rest with the Secondary Liquidator.

H. BREXIT

98. For the purposes of the EC Insolvency Regulation, the administrations of the Companies and the CVAs in respect of the CVA Companies are recognised as main proceedings. The Joint Administrators understand from their legal advisers that the proposed NNSA CVA will constitute a main proceeding for the purposes of the Regulation (EC) on Insolvency Proceedings 2015 (No 2015/848) (the "**Recast Regulation**").

99. The Companies are companies registered in EU Member States and the Joint Administrators understand from their legal advisers that the English Court has jurisdiction over those Companies pursuant to Article 3(1) of the EC Insolvency Regulation.
100. On 29 March 2017 HM Government gave notice to the European Council of the United Kingdom's intention to withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union (the "**Treaty**"). In accordance with Article 50(3) of the Treaty, the Treaty and the Treaty on the Functioning of the European Union shall cease to apply to the United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years from the date of the notification.
101. On 14 November 2018, HM Government issued a draft withdrawal agreement between the United Kingdom and the European Union (the "**Draft Withdrawal Agreement**"). Article 67(3)(c) of the Draft Withdrawal Agreement sets out that the Recast Regulation shall apply to insolvency proceedings provided that the main proceedings were opened before the end of the transition period. Section 13 of the European Union (Withdrawal) Act 2018 requires that a final withdrawal agreement be approved by the House of Commons and, to that end, a vote of the House has been scheduled for 11 December 2018.
102. The Joint Administrators understand from their legal advisers that based on their experience, even if the Draft Withdrawal Agreement is approved and subsequently ratified by the House of Commons, courts and other bodies including trade registries in certain Member States may express doubt as to whether the administrations of the Companies would be capable of automatic recognition.
103. Pending the completion of any withdrawal agreement between the UK and the European Council, it remains uncertain how the EC Insolvency Regulation or the Recast Regulation will apply to the administrations of the Companies or the CVAs and what, if any, recognition will be given to the Joint Administrators or CVA Supervisors by the courts of the Member States following any withdrawal agreement or the two year deadline set out in Article 50(3) of the Treaty, being 29 March 2019.
104. In the event that no withdrawal agreement is agreed or the terms of the withdrawal agreement do not provide for automatic recognition of the Nortel administrations, it may be necessary for the Joint Administrators to apply for recognition of the proceedings in accordance with local law as if they were insolvency proceedings commenced outside the European Union. At this stage, the Joint Administrators do not immediately see the benefit to creditors of such applications given that the purposes of the administrations have almost been completed, the vast majority of creditor claims have been paid in full (save in the case of NNSA) and there are no or very limited assets in the jurisdiction of each Company's incorporation which require coordination and cooperation at a local level.

105. If, after 29 March 2019, it remains uncertain how the EC Insolvency Regulation or the Recast Regulation will apply to the administrations of the Companies or the CVAs and it becomes apparent that some form of recognition or other action is required then the Joint Administrators will seek such remedy from the courts of the relevant Member State or otherwise as is necessary to best coordinate the completion of the administrations. If necessary, the Joint Administrators and/or CVA Supervisors will also apply for directions to the Court where it appears that the objectives of the administrations cannot be achieved.

I. RELIEF SOUGHT

106. For the reasons set out in this statement and notwithstanding the impact of Brexit, the Joint Administrators consider that, at this point in the administrations, moving any of the Companies into a liquidation process would be hugely disruptive to the affairs of the Companies and damaging to creditors' interests. If the Companies were to be forced into liquidation at this stage, the permission given by the Court to the Joint Administrators of NNUK to make distributions would be frustrated. In the case of the CVA Companies and NNSA, without an extension, the Joint Administrators would be unable to fulfil the terms of the CVAs which have been approved by the creditors of each CVA Company. The Joint Administrators remain of the view that there are no obvious benefits to any creditors if the Companies were to go into liquidation at this stage and there would be considerable amounts of disruption and wasted costs.

107. To date, the administrations and the CVAs have proceeded successfully and the statutory purposes of the administrations as set out at paragraph 3(1) of Schedule B1 to the Act are capable of further achievement by way of making distributions to creditors, including by way of the CVAs. Accordingly, the Joint Administrators consider that the orders sought by the Extension Applications are in the best interests of each of the Companies.

108. The Joint Administrators consider that the objectives of the administrations of the Companies are likely to be completed in the course of the next 12 months and therefore propose that the administrations be extended for that period until 13 January 2020. In some cases, the Joint Administrators consider it very likely that they will be making applications to Court seeking their discharge in the course of the next 6 months but believe that the prudent course of action is to respectfully request an extension for 12 months. Should it be necessary to further extend the duration of the administrations beyond 13 January 2020, the Joint Administrators would make the required applications to Court in advance of that date.

109. If the circumstances of any of the Companies change significantly before 13 January 2020, including such that the Joint Administrators consider that the purpose of any administration are frustrated by the impact of Brexit, the Joint Administrators understand that they are obliged to return to Court to seek such an order as to the future conduct of the

administration as is appropriate in those circumstances, including an order that their appointment as Joint Administrators of that Company shall cease to have effect.

110. Accordingly, the Joint Administrators respectfully request that this Honourable Court makes the orders for the Extension Applications on behalf of each of the Companies.

J. CONCLUSION

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

STATEMENT OF TRUTH

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

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STEPHEN JOHN HARRIS

Date: 29 November 2018

IN THE HIGH COURT OF JUSTICE
THE BUSINESS AND PROPERTY COURTS OF
ENGLAND AND WALES

INSOLVENCY AND COMPANIES LIST (ChD)

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED	<u>No. 536 of 2009 /</u> <u>CR-2016-006154</u>
NORTEL GMBH	<u>No. 542 of 2009 /</u> <u>CR-2009-000033</u>
NORTEL NETWORKS N.V.	<u>No. 550 of 2009 /</u> <u>CR-2009-000034</u>
NORTEL NETWORKS S.P.A.	<u>No. 552 of 2009 /</u> <u>CR-2009-000035</u>
NORTEL NETWORKS BV	<u>No. 553 of 2009 /</u> <u>CR-2009-000036</u>
NORTEL NETWORKS POLSKA SP. Z.O.O.	<u>No. 554 of 2009 /</u> <u>CR-2009-000037</u>
NORTEL NETWORKS HISPANIA S.A.	<u>No. 535 of 2009 /</u> <u>CR-2009-000038</u>
NORTEL NETWORKS (AUSTRIA) GMBH	<u>No. 537 of 2009 /</u> <u>CR-2009-000040</u>
NORTEL NETWORKS PORTUGAL S.A. NORTEL	<u>No. 547 of 2009 /</u> <u>CR-2009-000043</u>
NETWORKS SLOVENSKO S.R.O. NORTEL	<u>No. 551 of 2009 /</u> <u>CR-2009-000044</u>
NETWORKS FRANCE SAS	<u>No. 544 of 2009 /</u> <u>CR-2009-000045</u>
NORTEL NETWORKS (IRELAND) LIMITED	<u>No. 541 of 2009 /</u> <u>CR-2009-000047</u>
NORTEL NETWORKS S.A.	<u>No. 539 of 2009 /</u> <u>CR-2009-000048</u>

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

**NINTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS**

Applicant
Stephen John Harris
Ninth Statement
Exhibit "SJH9"
29 November 2018

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

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED	<u>No. 536 of 2009 / CR-2016-006154</u>
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AND IN THE MATTER OF THE INSOLVENCY ACT 1986

EXHIBIT "SJH9"

This is the Exhibit marked "SJH9" which is referred to in the witness statement of Stephen John Harris dated 29 November 2018.

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Stephen John Harris