

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 (AUSTRIA) GMBH ("NORTEL AUSTRIA")	No. 537 of 2009 / CR-2009-000040
NORTEL NETWORKS SLOVENSKO S.R.O. ("NORTEL SLOVAKIA")	No. 551 of 2009 / CR-2009-000044
NORTEL NETWORKS BV ("NORTEL NETHERLANDS")	No. 553 of 2009 / CR-2009-000036

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

EIGHTEENTH 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:

INTRODUCTION

1. I am a licensed insolvency practitioner and an Associate Partner in the firm of Ernst & Young LLP ("**EY**"). 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 EY pursuant to the Orders of Mr Justice Blackburne. Copies of those Orders are at [1//1/1] to [1/1/30] of SJH18.
2. 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 [1/2/31] to [1/2/33] of SJH18.

3. 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.
4. The Companies were also subject to company voluntary arrangements (“**CVAs**”). I was appointed as a supervisor of each Company’s CVA, together with Mr Bloom, Mr Hudson and Ms Joanne Hewitt-Schembri of EY. Ms Hewitt-Schembri resigned as a supervisor on 17 July 2019 and her resignation became effective on 14 August 2019. Notices of her resignation are exhibited at [1/3/34] of SJH18.
5. Where I use the term “**Supervisors**” in relation to matters or events before 14 August 2019 I am referring collectively to myself, Mr Bloom, Mr Hudson and Ms Hewitt-Schembri. Where I use this term in relation to matters or events on or after 14 August 2019, I am referring collectively to myself, Mr Bloom and Mr Hudson. Where I use the term “**Nominees**” I am referring collectively to myself, Mr Bloom, Mr Hudson and Ms Hewitt-Schembri during the period of time before the CVAs were approved.
6. References to the “**Insolvency Act**” are to the Insolvency Act 1986 (as amended) and, unless otherwise stated, references to a “**Rule**” or “**Rules**” are to the Insolvency (England & Wales) Rules 2016.
7. This witness statement has been prepared over the telephone and by exchange of drafts by email with the assistance of Herbert Smith Freehills LLP (the Joint Administrators’ English law legal advisers) (“**HSF**”), the relevant EY staff, and the relevant local legal and tax advisers. 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. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.
8. 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.
9. There is now produced and shown to me an electronic bundle of documents marked “**SJH18**” to which I shall refer in this witness statement. References in this document to exhibits are in the form [Volume/Tab/Page]. Volume 6 of SJH18 comprises a number of schedules (the “**Schedules**”) setting out the detail of the Joint Administrators’ remuneration and Supervisors’ fees for which the Court’s approval is sought. The Schedules are explained in detail at Section O (*An explanation of the Schedules*) at paragraphs 119 to 127 below.

STRUCTURE OF THIS WITNESS STATEMENT

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A. OVERVIEW

11. 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:

- 11.1 the appointment of the Joint Administrators in respect of each Company shall cease to have effect pursuant to paragraph 79(1) of Schedule B1 of the Insolvency Act from the time of the taking of the relevant step (as described below) to wind up or dissolve each Company in accordance with the law of its jurisdiction of incorporation;

- 11.2 the Joint Administrators be discharged from liability pursuant to paragraph 98 of Schedule B1 to the Insolvency Act with effect from 28 days after the date on which their appointment has been terminated in accordance with paragraph 11.1 above;
- 11.3 if the relevant step required to wind up or dissolve a Company (as referred to in paragraph 11.1 above) is not completed within 60 days of the date of the relevant Order the matter be re-listed for hearing within 14 days;
- 11.4 in the case of Nortel Austria and Nortel Slovakia only, the Joint Administrators' remuneration for the periods from:
- (1) 15 June 2019, being the date of the last approval by each Company's creditors or creditors' committee, to 27 December 2019 ("**Period 1**") be fixed by reference to time properly given by the Joint Administrators and their staff in the amount of £144,644.99 and £170,466.67 respectively; and
- (2) 28 December 2019 to the termination of the Joint Administrators' appointment ("**Period 2**") be fixed by reference to forecast time costs of the Joint Administrators and their staff and subject to caps of £90,174.59 and £97,523.74 respectively;
- 11.5 in the case of all the Companies, the balance of fees in respect of the CVAs for the period from 15 June 2019, being the date of the last approval by each Company's creditors or creditors' committee, to 27 December 2019 (the "**CVA Period**") be approved and paid to the Supervisors in the amounts of £37,777.00 for Nortel Austria, £42,945.97 for Nortel Slovakia and £39,500.20 for Nortel Netherlands; and
- 11.6 the costs of and incidental to the Applications be paid as expenses of the Administrations of the Companies.
12. The table below provides a summary of the quantum of the Joint Administrators' remuneration and the Supervisors' fees for which the Court's approval is sought in the present Applications (including, insofar as the remuneration is concerned for Period 2, both time costs which have already been incurred and time costs which are forecast to be incurred). No approval for the remuneration of the Joint Administrators of Nortel Netherlands is sought for the reasons set out in paragraph 80 below.

Company	Administration		CVA	Total
	Period 1 (15 June 2019 to 27 December 2019)	Period 2 (28 December 2019 to termination)	CVA Period (15 June 2019 to 27 December 2019)	
Nortel Austria	£144,644.99	£90,174.59	£37,777.00	£272,596.58
Nortel Slovakia	£170,466.67	£97,523.74	£42,945.97	£310,936.38

Nortel Netherlands	N/A	N/A	£39,500.20	£39,500.20
Total remuneration for which the Court's approval is sought				£623,033.16

B. BACKGROUND TO THE NORTEL GROUP INSOLVENCY

13. The Nortel group (the “**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**”).
14. On 14 January 2009 in a series of coordinated filings:
- 14.1 Nortel Networks Corporation (the ultimate holding company for the Nortel group) together with certain Canadian subsidiaries (collectively, the “**Canadian Debtors**”), sought protection under the Companies' Creditors Arrangement Act;
- 14.2 Nortel Networks Inc. (the primary US Nortel operating company) together with certain US subsidiaries (collectively, the “**US Debtors**”), filed voluntary petitions in the US Bankruptcy Court pursuant to Chapter 11 of the US Bankruptcy Code; and
- 14.3 the Companies, Nortel Networks UK Limited (“**NNUK**”) and a number of other companies in the Nortel EMEA group (collectively, the “**EMEA Debtors**”) were placed into administration by Orders of Mr Justice Blackburne and the Joint Administrators were appointed. 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**”).
- 14.4 A simplified corporate structure chart of the Group is at [1/4/36] of SJH18.

C. JOINT ADMINISTRATORS' PROPOSALS AND REPORTING

15. The Joint Administrators set out their approach for achieving the statutory purpose of administration for each of the Companies in their statements of proposals in February 2009 (the “**Statements of Proposals**”). These Statements of Proposals were approved by each Company's creditors at meetings held on 16 March 2009, 17 March 2009 and 17 March 2009 for Nortel Austria, Nortel Slovakia and Nortel Netherlands respectively. Copies of the Statements of Proposals for each of the Companies are at [1/5/37], [1/5/65] and [1/5/93] of SJH18. As the Joint Administrators explained in the Statements of Proposals, the proposals for each of the Companies were:
- 15.1 to trade and continue to manage the Company's businesses during the period of the administration whilst exploring possibilities for a global restructuring of the Nortel business and/or a global sale of all or part of the Nortel business;

- 15.2 to determine if it was still possible to rescue the Company as a going concern and/or achieve a sale of all or part of the Company's businesses; and
- 15.3 failing a global restructuring and/or a global sale, to achieve a better result for the Company's creditors 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 to take steps to enable the Company's assets to be distributed to its creditors.
16. 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 (the "**Progress Reports**"). Since my seventeenth witness statement in these proceedings, dated 22 November 2019 ("**Harris 17**") and made in support of the Joint Administrators' application to extend the Administrations of the Companies ([1/6/121] of SJH18), the Joint Administrators have prepared Progress Reports for each of the Companies for the period 14 July 2019 to 13 January 2020, dated 13 February 2020, copies of which are at [1/7/151], [1/7/170] and [1/7/189] of SJH18.
17. Rule 3.57(1)(a) requires the Joint Administrators to provide the Court with a report on the progress of the Administrations since the last Progress Report. Accordingly, for the purposes of the Applications, the Joint Administrators have prepared interim progress reports summarising the progress for each Company covering the period from 14 January 2020 to 6 April 2020 (the "**Supplemental Progress Reports**") (at [1/8/208] of SJH18). Owing to the complex nature of the EMEA Debtors' internal accounting systems, production of receipts and payments accounts required by Rule 18.3(1)(e) is an expensive and time-consuming process. In light of this and to minimise expense to the Companies, the receipts and payments accounts which accompany the Supplemental Progress Reports are reproduced from the most recent Progress Reports dated 13 February 2020.

D. PROGRESS IN THE ADMINISTRATIONS

Trading following the Joint Administrators' appointment and business sales

18. The Joint Administrators continued to trade the EMEA Debtors, including the Companies, following their appointment, in accordance with the Statements of Proposals. The continued trading helped to ensure that the assets of the EMEA Debtors were not unduly dissipated and to maximise the value of the business for the Companies' creditors.
19. The Administrations proceeded successfully and various sales of the Group's business lines were concluded in 2010 in pursuit of the Joint Administrators' proposal to achieve a better result for creditors of the Companies as a whole than would be likely if the Companies were wound up. The sales of the business lines resulted in total global realisations of approximately US\$7.3 billion (net of certain costs) (the "**Sale Proceeds**").

20. To assist them in the continuation of trading, the Joint Administrators retained a number of employees of the EMEA Debtors (the “**Legacy Nortel Employees**”), particularly in the EMEA accounting function based primarily in England and Ireland. The Legacy Nortel Employees have continued to assist in the Administrations more generally following the sales of the Group’s business lines as part of the EMEA Debtors’ accounting and office functions, and with the building and maintaining of essential IT platforms, including the Nortel EMEA Administration proceedings website (<http://www.emeanortel.com>) (the “**Nortel EMEA Website**”).
21. Pursuant to the terms of a settlement agreement between the EMEA Debtors and the Canadian Debtors dated 9 July 2014 (a copy of which is at [1/8/234] of SJH18), NNUK agreed to take an assignment of pre-appointment intragroup debts due from the Companies to the Canadian Debtors. The terms of the assignment provided that the debts concerned (the “**CCAA Subordinated Debts**”) were to be subordinated to the claims of other unsecured creditors against the Companies. A copy of the assignment dated 16 July 2014 is at [1/10/266] of SJH18 together with notices from NNUK to each Company, countersigned to confirm each Company’s agreement to the terms of the assignment and subordination are at [1/11/284 to 289] of SJH18. Under the terms of the CVAs, the CCAA Subordinated Debts would only be paid once unsubordinated, unsecured creditors had been paid the principal and interest thereon in full.

Allocation Dispute and Global Settlement

22. 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 a number of settlement agreements comprising the “**Global Settlement**” including: (a) the “**Settlement and Plans Support Agreement**” between (inter alia) the US Debtors, the Canadian Debtors and the Companies (a copy of which is at [1/12/290] of SJH18); (b) the “**UKPI Settlement Deed**” between (inter alia) the Companies and the UK Pension Interests – being the Pension Trustee of the NNUK Pension Scheme (the “**NNUK Pension Scheme Trustee**”) and the Board of the Pension Protection Fund (“**UKPI**”), a copy of which is at [2/1/1] of SJH18; and (c) the Deed of Release between (inter alia) the Companies and the UK Pension Interests, a copy of which is at [2/2/59] of SJH18.
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 ([2/3/104] of SJH18). The judgment given by Mr Justice Snowden is provided at [2/4/107] of SJH18.
24. The Global Settlement became effective on 8 May 2017 and each of the Companies received the allocation of Sale Proceeds agreed as part of the Global Settlement in May

2017. Ultimately, the EMEA Debtors recovered around \$1.35 billion of Sales Proceeds for distribution to creditors. Nortel Austria received approximately \$0.85 million, Nortel Slovakia received approximately \$0.72 million and Nortel Netherlands received approximately \$9.76 million which, together with the residual cash and other assets held by the Companies, was available for distribution to each Company's creditors.

The Company Voluntary Arrangements

25. Having been granted liberty to promulgate CVAs in respect of each of the Companies by the Order dated 23 July 2015 (a copy of which is at [2/5/127] of SJH18), on 5 April 2017, the Joint Administrators proposed CVAs to the creditors of each Company. Copies of the proposals for each Company's CVA are at [2/6/132], [2/7/307] and [3/1/1] of SJH18.
26. During the summer of 2017, the proposed CVAs in respect of those Companies were approved unanimously without modification by each Company's creditors and members. In each case, I have provided a copy of the relevant Chairman's report and the Notice of Effective Date (which was sent to creditors and posted on the Nortel EMEA Website) at [3/2/158 and 3/3/173], [3/2/163 and 3/3/174] and [3/2/168 and 3/3/175] of SJH18 in respect of Nortel Austria, Nortel Netherlands and Nortel Slovakia.
27. I set out in the table below the relevant dates for each of the CVAs. The "Effective Date" is the day on which the Chairman's report of the creditors' meeting was filed at Court. The "Implementation Date" is the date 28 days after the Effective Date on which the terms of each CVA became fully effective. The "CVA Bar Date" is the date four months after the Effective Date and was the date by which the Companies' creditors were required to submit their claims to the Supervisors.

Company	Issue of proposal for CVA	Creditors' and member's meeting	Effective Date	Implementation Date	CVA Bar Date
Nortel Austria	5 April 2017	19 May 2017	23 May 2017	20 June 2017	23 September 2017
Nortel Slovakia	5 April 2017	26 May 2017	1 June 2017	29 June 2017	1 October 2017
Nortel Netherlands	5 April 2017	12 June 2017	14 June 2017	12 July 2017	14 October 2017

Reporting on the progress of the CVAs

28. The Supervisors periodically inform creditors of the progress of the CVAs by way of annual progress reports ("CVA Reports") in accordance with Rule 2.41(4) and, following the termination of the CVAs, final reports ("Final CVA Reports") have been provided in accordance with Rule 2.44(2).

29. The Supervisors have prepared the following CVA Reports and Final CVA Reports:
- 29.1 in respect of Nortel Austria, CVA Reports dated 16 July 2018 (at [3/4/176] of SJH18) and 19 June 2019 (at [3/4/182] of SJH18), and a Final CVA Report dated 12 December 2019 (at [3/4/189] of SJH18);
 - 29.2 in respect of Nortel Netherlands, CVA Reports dated 10 August 2018 (at [3/5/197] of SJH18) and 8 August 2019 (at [3/5/203] of SJH18) and a Final CVA Report dated 6 December 2019 at ([3/5/209] of SJH18); and
 - 29.3 in respect of Nortel Slovakia, CVA Reports dated 25 July 2018 (at [3/6/217] of SJH18) and 19 June 2019 (at [3/6/223] of SJH18), and a Final CVA Report dated 12 December 2019 (at [3/6/229] of SJH18); and

Realisation of intragroup claims and other assets

30. Each of the entities was a Limited Risk Entity (“LRE”) and undertook distribution of products and services to larger companies in the Group, and part of the Joint Administrators’ role has been to collect debts due for these services. Nortel Austria had a number of outstanding intercompany receivables due from other Nortel EMEA entities, notably from Nortel Networks Ireland Limited (in administration) (“**Nortel Ireland**”) and Nortel Networks S.A. (in administration and in *liquidation judiciaire*) (“**NNSA**”) who are still in the process of making distributions to their creditors. The Joint Administrators took the necessary steps to quantify the likely benefits that would be received by Nortel Austria and proceeded with the assignment for value of these intercompany receivables to NNUK.
31. . Similarly, Nortel Slovakia had an outstanding intercompany receivable due from NNSA. Given the uncertainty around the timing and recoverability of the asset from NNSA, the Joint Administrators were unable to quantify and assign the receivable for value to NNUK until after the approval of NNSA CVA in October 2018 and updates to NNSA’s estimated outcomes statement by the supervisors of NNSA’s CVA .
32. The Supervisors of Nortel Austria were able to make distributions to the Company’s unsubordinated, unsecured creditors in an amount of 95p in the pound by 17 August 2018 and the Supervisors of Nortel Slovakia were able to make distributions to the non-subordinated, unsecured creditors in an amount of 95p in the pound by December 2018. As limited risk entities within the Group, Nortel Austria and Nortel Slovakia were eligible to receive top-up payments from NNUK under clause 8 (*LRE Payment*) of the UKPI Settlement Deed which would allow all non-subordinated and unsecured creditors to be paid their principal in full. Having taken detailed local tax and legal advice as to the best means by which such a payment could be made, NNUK made top-up payments to both Companies in October 2019 with Nortel Austria receiving £160,000 and Nortel Slovakia receiving £220,000. These payments have enabled distribution of the remaining 5p in the pound to each Companies’ unsubordinated, unsecured creditors.

33. Nortel Netherlands had an insured, defined benefit pension scheme. Over a number of years, the Joint Administrators engaged in complex negotiations with the pension scheme's insurer to allow them to quantify an alleged claim by the pension insurer against Nortel Netherlands. At the end of these negotiations in early 2019, the Joint Administrators secured a recovery from the insurer of a surplus held by the insurer and c.€2.5m was paid to Nortel Netherlands.
34. In addition to the recovery from the pension scheme's insurer, the Joint Administrators dealt with a number of outstanding receivables (including certain intercompany receivables due from other Group entities) due to Nortel Netherlands including by NNSA and Nortel Ireland. The Joint Administrators took the necessary steps to quantify the likely benefits that would be received by Nortel Netherlands, and proceeded with the assignment of these intercompany receivables to NNUK in lieu of part of its remaining CCAA Subordinated Debt.

Distributions to expense creditors and tax

35. On 9 June 2017, Mr Justice Snowden made Orders granting the Joint Administrators directions whereby the Joint Administrators were to inform potential claimants that any claims which were asserted to rank as administration expenses under English law 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 Bar Date was set for 27 October 2017 in the case of each of the applicant Companies. Copies of the Orders made by Mr Justice Snowden are provided at [3/7/237], [3/7/247] and [3/7/257] of SJH18.
36. The Joint Administrators sent explanatory letters and Demand Forms in accordance with the terms of the Orders and submitted a pro forma tax calculation to the relevant tax authorities, in the jurisdiction of incorporation for each of the Companies. The Slovakian and Dutch tax authorities submitted Demand Forms and, following careful analysis by the Joint Administrators and their local tax advisors and dialogue with those authorities, their expense claims have been dealt with by the Joint Administrators.

Distributions to creditors of the Companies

37. As can be seen in the sixth column in the table at paragraph 27 above, the CVA Bar Dates by which creditors were required to lodge claims in the CVAs have all passed. All claims submitted to the Supervisors have been adjudicated and all creditors with unsubordinated, unsecured claims whose claims have been admitted by the Supervisors as "**Allowed Claims**", have been paid the principal of their claims in full. While the CCAA Subordinated Debts due to NNUK have been admitted as Allowed Claims, Nortel Austria and Nortel Slovakia did not have sufficient assets available to make any payment of the CCAA Subordinated Debts.
38. Set out below is a detailed summary of the claims received by the Supervisors and the distributions made to creditors of the Companies.

39. Nortel Austria

39.1 The Supervisors have adjudicated all 34 claims received before the CVA Bar Date. The total value of claims submitted was £2,148,915,427.67 (including a significant contingent claim submitted by the UK Pension Regulator), of which £1,631,805.16 was admitted for dividend payment.

39.2 A first interim distribution was declared on 5 December 2017 and a second interim distribution was declared on 17 August 2018.

39.3 A third and final distribution was declared on 10 September 2019, with the result that all unsecured, unsubordinated creditors have been paid 100% on account of the principal value of their claims. No payments were made on account of interest for the period of the Administration or CCAA Subordinated Debts as there were insufficient assets in Nortel Austria to allow for such payments.

40. Nortel Slovakia

40.1 The Supervisors adjudicated all 17 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,148,471,050.30 (including a significant contingent claim submitted by the UK Pension Regulator), of which £1,399,490.07 was admitted for dividend payment.

40.2 A first interim distribution was declared on 5 December 2017. A second and final distribution was declared on 10 September 2019, with the result that unsecured, unsubordinated creditors have received 100% of the principal of their claims. No payments were made on account of interest for the period of the Administration or CCAA Subordinated Debts as there were insufficient assets in Nortel Slovakia to allow for such payments. Further details on additional steps taken in respect of the unsatisfied CCAA Subordinated Debt are set at paragraph 49.1 below.

41. Nortel Netherlands

41.1 The Supervisors have adjudicated all 63 claims received in advance of the CVA Bar Date. The total value of claims submitted was £2,170,890,931.51 (including a significant contingent claim submitted by the UK Pension Regulator), of which £16,339,316.39 was admitted for dividend payment.

41.2 A first interim distribution was declared on 5 December 2017. A second and final distribution was declared on 10 September 2019 with unsecured, unsubordinated creditors receiving payment of 100% of the principal of their claims and their full entitlement to interest for the period of the Administration (at a rate of 3.76% per annum).

41.3 The Supervisors of Nortel Netherlands have also paid NNUK the principal of its CCAA Subordinated Debts in full and approximately 80% of its entitlement to commercial interest on its CCAA Subordinated Debt for the period of the Administration. NNUK was also distributed intragroup receivables due to Nortel Netherlands described at paragraph 34 above. The CVA was modified on 14

October 2019 so as to enable the Supervisors to distribute these receivables to NNUK. A copy of the CVA modification is at [3/8/320] of SJH18.

- 41.4 The significant gap between the making of the first and second distributions was the result of the prolonged negotiations with the Company's pension scheme insurer (referred to at paragraph 33 above) and the emergence during those negotiations of a number of former employees of Nortel Netherlands. The Joint Administrators had not previously been aware of the identity of these former employees or that they might assert claims against the Company. In the course of agreeing the final recovery of the surplus with the insurer, the Joint Administrators were provided with the details of these former employees, all of whom were then sent copies of the CVA. A number of these former employees submitted claims which the Supervisors investigated and adjudicated as "Catch-Up Claims" under the terms of the CVA in the course of 2019.

Modification of the CVAs

42. Prior to the making of final distributions to the Companies' creditors, the Supervisors became aware that certain creditors had not, despite repeated requests, provided bank account details for payment. While many of these unresponsive creditors were ultimately located by the Joint Administrators and the Legacy Nortel Employees, a small number of the creditors of Nortel Austria and Nortel Slovakia could not be traced. The total value of claims of these unresponsive creditors amounts to £386.82 in Nortel Austria and £123.86 in Nortel Slovakia.
43. The Joint Administrators used powers granted to them by the Terms of the CVA to modify the CVA to provide that unclaimed funds could be transferred to NNUK to be held for one year from the relevant distribution date and, if unclaimed at the end of that period, NNUK would donate any remaining unclaimed funds to charity.
44. Copies of the Notices of Modification of the CVAs which include the Terms of the CVAs as modified are at [3/8/267], [3/8/320] and [3/8/381] of SJH18. The Letters of Undertaking from NNUK confirming the terms on which NNUK has agreed to hold these unclaimed funds are at [3/9/434], [3/9/436] and [3/9/438] of SJH18.

Termination of the CVAs and work towards termination of the Administrations

45. Prior to the making of the final distributions, the Joint Administrators identified a risk that, having distributed each Company's available assets to its creditors, any small unexpected costs arising between the making of the final distributions and the commencement of the local winding-up or dissolution processes could result in one or more of the Companies being considered insolvent under the law of its jurisdiction of incorporation. An insolvent liquidation of any of the Companies would likely cause disproportionate costs to the Company's ultimate EMEA parent company NNUK. To mitigate this risk and allow for the

making of the final distributions, the Companies and NNUK agreed written undertakings that the joint administrators of NNUK could cover such costs at their discretion. These three undertakings are at [3/9/434], [3/9/436] and [3/9/438] of SJH18

46. By November 2019 the Companies had no further claims to adjudicate or assets available for distribution. The CVAs of Nortel Austria and Nortel Slovakia were both terminated on 15 November 2019, following the termination of Nortel Netherlands' CVA on 8 November 2019. The three Notices of Termination are exhibited at [3/10/440], [3/10/443] and [3/10/441] of SJH18 respectively.

47. I now address what further work is required more generally in the Administrations and the Joint Administrators' proposals for the termination of their appointment.

48. **Nortel Austria**

48.1 Having identified a relatively quick Austrian law dissolution process for Nortel Austria, the Joint Administrators needed to consider how to deal with the remaining CCAA Subordinated Debt due to NNUK, amounting to £981,694.90. This outstanding liability had the potential to create a situation where Nortel Austria was faced with a longer and more costly dissolution process. Having taken detailed Austrian law and financial advice that concluded that the existence of an intragroup liability would not in itself necessitate the longer most costly dissolution process, the Joint Administrators determined that Nortel Austria could be dissolved through a fast track dissolution.

48.2 Given the unusual nature of an English law administration immediately preceding a fast-track Austrian law dissolution, the Joint Administrators made a number of enquiries of local Austrian authorities, including the tax authorities and the Austrian Court, and, as a result of the responses received, the Joint Administrators are confident that the proposed fast-track dissolution is the most appropriate way of ultimately concluding the affairs of Nortel Austria and is in the interests of NNUK. Having made enquiries of the local tax authorities, the Joint Administrators are also confident that the Company's tax affairs have been appropriately resolved and they have also concluded all outstanding arrangements with local service providers that might otherwise delay or deny availability of the fast-track dissolution process.

49. **Nortel Slovakia**

49.1 The Joint Administrators and their advisors established that an insolvent liquidation would not be attractive in Slovakia as it required a local court process that would typically take a number of years to complete. They were advised that a solvent liquidation would require eliminating the outstanding CCAA Subordinated Debt, which amounted to £1,210,622.77. Following consultation with the Joint Administrators' local tax and legal advisers, the Joint Administrators agreed with NNUK to complete a debt-for-equity conversion of the CCAA Subordinated Debt

so as to avoid the costs and administrative burden that NNUK and the Legacy Nortel Employees might have to bear in an insolvent liquidation in Slovakia.

49.2 The Joint Administrators and their local legal advisers completed a comprehensive exercise to identify a suitable local liquidator for Nortel Slovakia, who would appreciate the complexity and unusual nature of the estate. Ultimately it was determined that EY Law Slovakia was the best candidate given their prior involvement and the lack of suitable alternatives.

49.3 The Joint Administrators have also taken a number of steps to conclude all outstanding arrangements with local service providers to ensure that no matters could arise during the course of the liquidation that could unduly delay the ultimate dissolution of Nortel Slovakia.

50. **Nortel Netherlands**

50.1 The challenges that the Joint Administrators and Supervisors have had to address to facilitate the termination of the CVA and expedite the exit from administration have included:

- (1) recovery of assets to allow further distributions to creditors, including realisations from the Company's pension scheme's insurer described at paragraph 33 and recovery of intragroup receivables described at paragraph 34 above;
- (2) notification to former employees of the CVA as described in paragraph 41.4 and the investigation and adjudication of their claims as Catch-Up Claims; and
- (3) modifying the terms of the CVA to allow for the Supervisors to make distributions to NNUK of those intragroup receivables to avoid delaying the termination of the CVA pending distributions by those intragroup debtors.

50.2 Overall, the total CVA costs of the Nominees and Supervisors of Nortel Netherlands amount to £246,594.61, and have made total distributions to creditors of approximately £21.6m (including approximately £16.74m on account of the principal plus c.80% of interest for the post-appointment period on the CCAA Subordinated Debt). The Joint Administrators and Supervisors consider this level of return to creditors to be a material achievement.

Brexit

51. The Administrations shall remain the main proceedings, at least for so long as the EC Insolvency Regulation and the Regulation (EC) on Insolvency Proceedings 2015 (No 2015/848) (the "**Recast Regulation**") remains in force in this jurisdiction. The withdrawal agreement between the United Kingdom and the European Union 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 on 31 December 2020. Therefore the Administrations should remain the main proceedings until the date on which the terminations of the Administrations and the discharge of the Joint Administrators' liability become effective.

E. EXITING THE ADMINISTRATIONS

Achievement of the purpose of the Administrations

52. 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 Insolvency Act. As set out in the Statements of Proposals, if the Joint Administrators decided that a 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.
53. Having made final distributions to creditors, taken steps to prepare for the dissolutions and terminated each of the CVAs, the Joint Administrators are of the view that the purposes of the Administrations have been sufficiently achieved.
54. Overall, the Joint Administrators wish to record their satisfaction with the outcome of the Administrations, which includes a period of successful trading, a number of unique and complex international business sales, and ultimately (and most importantly) the payment of all unsubordinated creditors. In addition, the Joint Administrators are satisfied that the Allocation Dispute was appropriately resolved by way of settlement, as were the claims of the NNUK Pension Scheme Trustee under the Pensions Act 2004, and the Companies tax and accounting positions finalised such that the Joint Administrators are now in a position to place each Company in a solvent winding-up or dissolution process in accordance with the law of the jurisdiction of that Company's incorporation.

The form of these Applications

55. In August 2018 the joint administrators of six other EMEA Debtors made similar applications to the present the Applications in respect of those entities (the "**Batch One Entities**"), supported by my eighth witness statement dated 8 August 2018 ("**Harris 8**"), a copy of which is at **[4/1/1]** of SJH18. Again, in April 2019 the joint administrators of 3 other EMEA Debtors made similar applications (the "**Batch Two Entities**"), supported by my eleventh witness statement dated 15 April 2019 ("**Harris 11**"), a copy of which is at **[4/2/55]** of SJH18.
56. On both occasions, Mr Justice Snowden granted Orders that the Joint Administrators' appointments terminate on the commencement of the relevant local liquidation process. Copies of the Orders and Mr Justice Snowden's judgment in respect of the Batch One Entities are at **[4/3/97]** to **[4/3/112]** and **[4/4/113]**. Copies of the Orders and Mr Justice

Snowden's judgment in respect of the Batch Two Entities are at [4/5/124] to [4/5/129] and [4/6/130].

57. The Joint Administrators believe that the process has worked well and the transition from English law administrations to local law liquidations or dissolutions has been as smooth as could have been expected in the circumstances. Therefore, having taken local law and financial advice as to the suitability of this approach for each Company in Austria, Slovakia and the Netherlands, the Joint Administrators propose to take a similar approach for the Companies.

Postponement of making these Applications

58. As explained at paragraph 63 of Harris 17 ([1/6/142] of SJH18), the Joint Administrators had hoped to make these Applications in the latter part of November 2019 so as to allow for the possibility of dissolving Nortel Austria and Nortel Netherlands within the accounting year ending 31 December 2019. The Joint Administrators notified Mr Justice Snowden in a letter dated 15 November 2019 (a copy of which is at [4/7/142] of SJH18) that they had decided to postpone the making of these Applications. This postponement has allowed:

- 58.1 the Joint Administrators to submit remuneration data to the Companies' former creditors, NNUK's creditors or the Court, with confidence in the accuracy of that data, which was not possible for a brief period at the end of 2019 due to changes to EY's finance systems which impacted the time recording and reporting information systems used by the Joint Administrators. The cost of ensuring accuracy of the data after the hand-over has been borne by EY and has not been charged to the Nortel Entities;
- 58.2 the Joint Administrators to complete a number of essential steps required to ensure the Companies were ready to be placed into the relevant local law winding-up or dissolution processes including, for example, important tax matters in respect of Nortel Austria to be dealt with and the liquidator to be identified and engaged for Nortel Slovakia; and
- 58.3 an additional EMEA Debtor, Nortel GmbH ("**Nortel Germany**") to be included with these Applications so that its local dissolution process may commence at the same time as the Companies, thereby avoiding some of the costs associated with making a separate application. Matters relating to Nortel Germany are addressed separately by me in my twentieth witness statement ("**Harris 19**") dated on or around the date of this statement.
59. The postponement has necessitated that the termination of the Administrations will now take place in a new financial year and therefore the Companies have or may incur costs in preparing financial statements for the short period in 2020 which the Joint Administrators had hoped to avoid. However, the Joint Administrators believe that to have made the Applications in November 2019 would have been premature. Ultimately the hiatus may

allow for certain legal and other cost savings, through the inclusion of an application in respect of Nortel Germany, and has allowed the Joint Administrators to pre-empt much of the work that would otherwise be completed after the hearing of the Applications.

Timeline to termination of the Administrations

60. The terms of the draft orders provide that the termination of the Joint Administrators' appointment is in each case conditional on each Company's shareholder(s) commencing the process to wind up or dissolve the Company in accordance with the law of the jurisdiction of that Company's incorporation. This is because 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 place the Companies into local winding-up or dissolution processes. Having managed the business and affairs of the Companies for over ten years, the Joint Administrators should, in all material respects, bear the responsibility of placing the Companies into winding-up or dissolution.
61. 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 winding-up or dissolution processes due to be commenced, and that 30 days proved not to be sufficient in the case of all Batch One Entities and Batch Two Entities, the Joint Administrators consider that a period of 60 days is appropriate. Should the winding-up or dissolution of each Company not have commenced within the period specified, the draft orders require that the Joint Administrators return to this Court for further directions.
62. The Joint Administrators' terms of office expire at 12:01pm on 13 January 2021, pursuant to an Order of Mr Justice Snowden dated 17 December 2019, a copy of which is at [1/8/209].

F. NOTICE OF THE APPLICATIONS

63. I confirm that, in accordance with Rule 3.57(2), all creditors (including for the avoidance of doubt those creditors who have been paid in full) of each Company were given notice of the Applications by the Joint Administrators to exit the Administration and to be discharged from their liability, on or before 26 March 2020, by way of the Nortel EMEA Website. Copies of these notices are provided at [4/8/144] of SJH18. In light of the public health emergency created by the coronavirus (Covid-19), the Joint Administrators informed creditors of the Court's guidance that the default position is that hearings should be conducted remotely and that the Joint Administrators would provide further details in due course once the logistics for the hearing are confirmed, including details for how to attend the hearing remotely.

64. Further, and in accordance with Rule 3.57(2), the directors of each Company, being the persons who made the administration applications in 2009, were given notice by email on 26 March 2020, copies of which are at [4/9/146] of SJH18.
65. Following the appointment of the Joint Administrators, creditors' committees ("Committees") were established for Nortel Austria and Nortel Slovakia. The Committee for Nortel Austria ceased to exist as the requisite number of members to constitute a Committee was not achieved in 2010/2011 and an attempt to appoint a new member to the Committee was unsuccessful. Following the making of final distributions to creditors, such that their claims were satisfied in full, the Committee of Nortel Slovakia ceased to be quorate in accordance with Rule 17.1(e). Notices to the former members of both Committees to inform them of the intention to make these Applications was sent by email on 26 March 2020, copies of which are at [4/10/147] of SJH18.
66. As at the date of this statement, the Joint Administrators have received no response to those notices. Notice of the making and hearing of the Applications is also to be given to all creditors of each Company and former members of both Committees immediately following the filing of the Applications by way of the Nortel EMEA Website. 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.

G. DETAILS OF SUBSEQUENT WINDING-UP OR DISSOLUTIONS

67. As with the Batch One Entities and Batch Two Entities, the process required to wind up the affairs of each Company will vary by the jurisdiction of that Company's incorporation. Nortel Austria and Nortel Netherlands are in a position to take advantage of a local fast track dissolution process and Nortel Slovakia is in a position to utilise a local solvent winding up process and avoid a potentially more complex and lengthy insolvent dissolution process.
68. The Joint Administrators have taken local legal and accounting advice regarding the most efficient process available under Austrian, Slovakian and Dutch law to have each Company removed from the local register of companies once the Administrations have concluded. The directors of each Company have been involved in the planning of the subsequent winding-up or dissolutions.
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/dissolution proceedings before 21 June 2020.
70. I set out below the details of each Company's assets and liabilities, together with a brief summary of the local dissolution or liquidation process currently envisaged by the Joint Administrators in relation to each Company.
71. **Nortel Austria's dissolution procedure**

- 71.1 Nortel Austria may be dissolved through the fast track dissolution procedure under Austrian law once the Joint Administrators have lodged documents with the Austrian Insolvency Court confirming that the Joint Administrators have realised all the assets of the Company, distributed all proceeds to the Company's creditors, and achieved the statutory purpose of the Administration such that the Administration is concluded. Drafts of the relevant documents to be lodged with the Austrian Insolvency Court are at **[4/11/151]** of SJH18.
- 71.2 Once the Austrian Insolvency Court has made a decision in favour of dissolution, the Austrian Insolvency Court will inform the Austrian Commercial Court, which will then arrange for the removal of Nortel Austria from the local register of companies. The Joint Administrators' appointment will cease on the date of the removal of Nortel Austria from the local register.
- 72. Nortel Slovakia's winding-up procedure**
- 72.1 To commence the voluntary liquidation of Nortel Slovakia, Nortel Slovakia's shareholders, being NNUK (which holds approximately 81.36% of the shares in Nortel Slovakia as a result of the debt-for-equity conversion referred to in paragraph 49.1) and Nortel Networks International Finance & Holding BV, the intermediate holding company in the Nortel EMEA group, ("**NNIFH**") (which holds approximately 18.64%), must pass a shareholders' resolution for the voluntary liquidation of Nortel Slovakia and the appointment of the liquidator, EY Law Slovakia. A draft of the shareholders' resolution commencing the liquidation is at **[4/12/155]** of SJH18.
- 72.2 The liquidation would commence on the date of the resolution. The liquidation resolution and the appointment of the liquidator will be registered in the Slovak Commercial Register and advertised in the Commercial Bulletin.
- 72.3 All creditors and third parties who consider that they are impacted by the Company's liquidation must be asked to submit a claim to the liquidator within a period of three months from the date of the announcement's publication. The Joint Administrators do not anticipate any claims to be submitted given that all unsecured creditors have been paid in full and the CCAA Subordinated Debt has been eliminated as explained.
- 72.4 Following this three-month period (and assuming no claims are submitted), the liquidator will prepare a final report on the liquidation and a set of financial statements, before making any necessary tax filings to ensure there are no outstanding tax payments. The liquidator will apply for deregistration of the Company from the Commercial Registry and announce cessation of its business activities to the respective Trade Licensing Offices.
- 73. Nortel Netherlands' dissolution procedure**

- 73.1 The Joint Administrators' Dutch counsel have advised them that a Dutch registered company may be immediately dissolved by way of an "expedited route" if, at the time of the resolution to dissolve the company, the company has no assets or liabilities. The Company satisfied these criteria.
- 73.2 The expedited route which the Joint Administrators intend to follow requires the sole shareholder of Nortel Netherlands, Nortel Networks International Finance & Holdings B.V. ("NNIFH"), to pass a resolution at a general meeting approving the Company's balance sheet and the dissolution of the Company by way of the expedited route. Nortel Netherlands will cease to exist immediately when the resolution comes into effect. Drafts of the shareholder's resolution for the expedited dissolution of Nortel Netherlands and registration of dissolution are at [4/13/163] of SJH18.
- 73.3 Notwithstanding the simplicity of the procedure, Nortel Netherland's ultimate dissolution under Dutch law has required careful planning which has involved considerable assistance from their Dutch tax advisors to ensure that the commencement, timing and form of the dissolution process does not inversely impact the liquidation of NNIFH.

H. DISCHARGE OF LIABILITY

74. Paragraph 98 of Schedule B1 to the Insolvency 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 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 facts or matters which might give rise to a claim, and seeking to bring such a claim against the Joint Administrators, sufficient time to do so.
75. 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.
76. Throughout the Allocation Dispute and the pension dispute with the UKPI, certain claims have been intimated or asserted against the Joint Administrators by, among others, the US Debtors, the Canadian Debtors and the UKPI. However, such claims were released pursuant to the terms of the Global Settlement. Section 8 of the Settlement and Plans Support Agreement provides that all parties release all claims against each other and covenant not to commence any litigation or file any further claims between entities in the Group and others, provided that rights are reserved to enforce settlement and subject to certain intra-EMEA claims being carved out. During 2016 the Joint Administrators brought

an application which application, supported by Bloom's sixteenth witness statement ("**Bloom 16**"), was made pursuant to paragraph 63 of Schedule B1 of the Insolvency Act in which the Court was asked for directions on the Settlement and Plans Support Agreement and the Deed of Release. 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 the Bloom 16, in particular paragraphs 118.8 to 118.19, 207 and 210 thereof (at **[4/14/207]** to **[4/14/210]** and **[4/14/227]** to **[4/14/231]** of SJH18). In addition, the terms of each CVA of each Company include releases by each creditor of the Joint Administrators. Clause 33 of each CVA provides that each creditor of a Company irrevocably and unconditionally discharges the Joint Administrators from any liability in connection with their acts, omissions or default as Joint Administrators. The relevant clause in the CVA of Nortel Austria may be found at **[2/6/191]** of SJH18. Identical clauses are included in each of the Companies' CVAs.

I. THE REASONS FOR THE REMUNERATION APPLICATIONS

Application in respect of remuneration for Nortel Austria and Nortel Slovakia

77. The creditors or Committees of Nortel Austria and Nortel Slovakia have always approved the Joint Administrators' and Supervisors' remuneration. As described above, the Supervisors have made final distributions to the Companies' creditors and accordingly the Joint Administrators are of the view that those former creditors are not entitled to approve the Joint Administrators' or Supervisors' remuneration. In the case of Nortel Austria, NNUK remains a creditor in respect of part of its CCAA Subordinated Debts but 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.
78. 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 Supervisors making final distributions to each Company's creditors.
79. For those reasons the Joint Administrators of Nortel Austria and Nortel Slovakia have made these Applications to the Court for Orders that:
- 79.1 their remuneration be fixed by reference to time properly given by the Joint Administrators for the periods:
- (1) from 15 June 2019 to 27 December 2019, 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

- (2) from 28 December 2019 to the termination of the Joint Administrators' appointment , subject to a cap (i.e. Period 2); and
- 79.2 the fees of the Supervisors be approved for the period from 15 June 2019 to the termination of the CVAs on 27 December 2019 (i.e. the CVA Period).

Application in respect of remuneration for Nortel Netherlands

80. In respect of Nortel Netherlands, at the outset of the Administration, the Joint Administrators believed that the costs that would likely be incurred in regularly obtaining creditor approval for the drawing of fees for Nortel Netherlands, including the production of fee packs, could be considered disproportionate to the assets anticipated to be available and the costs expected to be incurred in the Administration. The Joint Administrators therefore sought the views of the creditors as to the approval of the Joint Administrators' remuneration. 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 the creditors. A copy of the resolution is at **[4/15/259-269]** of SJH18. Creditors of Nortel Netherlands have continued to be updated as to the Joint Administrators' remuneration by way of the Progress Reports, which also provide those creditors with the opportunity to challenge the remuneration in accordance with Rule 2.109 of the Insolvency Rules 1986 (the "**1986 Rules**") and, after 6 April 2017, Rule 18.34.
81. No similar resolution was obtained for the fees of the Nominees and Supervisors of the CVA of Nortel Netherlands and the creditors of Nortel Netherlands have been approving the fees of the Nominees and Supervisors of the CVA of Nortel Netherlands.
82. The creditors of Nortel Netherlands have always approved the Supervisors' and Nominees' remuneration. However, as described above, the Supervisors have made final distributions to the creditors of Nortel Netherlands and accordingly the Joint Administrators are of the view that those former creditors are not entitled to approve the Supervisors' remuneration.
83. For those reasons, the Joint Administrators of Nortel Netherlands apply to the Court for an Order that the fees of the Supervisors of Nortel Netherlands' CVA be approved for the period from 14 June 2019 to the termination of the CVAs on 27 December 2019 (i.e. the CVA Period).

Reporting of the Joint Administrators' remuneration

84. During the course of the Administrations, the Joint Administrators have prepared detailed fee packs which have been provided to the 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. Copies of the most recent approved fee packs for Nortel Austria and Nortel Slovakia are provided in SJH18:

- 84.1 Nortel Austria (for the period 18 August 2018 to 14 June 2019), dated 23 August 2019 and approved on 14 September 2019, at [4/16/276] of SJH18; and
- 84.2 Nortel Slovakia (for the period 18 August 2018 to 14 June 2019), dated 23 August 2019 and approved on 11 September 2019, at [4/18/311] of SJH18.
85. Copies of the resolutions approving the Joint Administrators' remuneration as set out in these fee packs are at [4/20/342] and [4/20/344] of SJH18.
86. In the case of all three Companies, and in accordance with Rule 2.47(1) of the 1986 Rules and subsequently Rule 18.3, the details of the remuneration drawn have been included in each Progress Report.

Reporting of Supervisors' fees

87. As in the Administrations, the Supervisors prepared detailed fee packs, which have previously been provided to each Committee. The fee packs are in a similar form as the fee packs prepared by the Joint Administrators. In addition to their remuneration as Supervisors, the initial fee packs also included remuneration of the Joint Administrators in respect of their time spent as Nominees of the CVAs. Copies of the most recent approved fee packs setting out remuneration of the Supervisors for the Companies are provided in SJH18:

- 87.1 Nortel Austria (for the period from 18 August 2018 to 14 June 2019), dated 23 August 2019 and approved on 13 September 2019, at [4/17/299] of SJH18;
- 87.2 Nortel Slovakia (for the period from 18 August 2018 to 14 June 2019), dated 23 August 2019 and approved on 13 September 2019, at [4/19/330] of SJH18; and
- 87.3 Nortel Netherlands (for the period from 3 September 2016 to 14 June 2019), dated 23 August 2019 and approved on 13 September 2019, at [4/21/345] of SJH18.

Copies of the resolutions approving the Supervisors' remuneration set out in these fee packs are at [4/22/369] to [4/22/371] of SJH18.

J. NOTICE OF REMUNERATION APPLICATIONS AND ENGAGEMENT WITH CREDITORS

Notice to the Companies' former creditors

88. I confirm that all creditors of each Company (including for the avoidance of doubt those creditors who have already been paid in full) were given notice of the Joint Administrators' intention to issue applications in respect of their remuneration on 26 March 2020. Details of these notices is set out at paragraphs 63 to 66 above. To date, the Joint Administrators have received no response from the creditors.

89. Further, and in accordance with Rule 18.28(6), notice of the making and hearing of these Applications will be given to all creditors at least 14 days before the earliest date for a hearing of these Applications, being 7 April 2020, 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. 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.

Engagement with creditors of NNUK

90. Given that the ultimate economic impact of any overpayment of the Joint Administrators' remuneration would be felt by NNUK in its capacity as a subordinated intercompany creditor of each of Nortel Austria, Nortel Slovakia and Nortel Netherlands and the ultimate parent company in the Nortel EMEA group entitled to any surplus, the Joint Administrators have engaged closely with the Committee of NNUK before issuing the Applications. On 1 October 2019, the Joint Administrators provided a draft of fee packs setting out the detail of the Joint Administrators' remuneration and the Supervisors' fees for the period up to 16 August 2019. Copies of these draft fee packs are at [4/23/372-448] of SJH18. The Joint Administrators invited the members of the Committee of NNUK to review the draft fee packs in detail, invited questions from the Committee, and provided the Committee with resolutions in order to confirm their views as to the reasonableness (or otherwise) of the Joint Administrators' and Supervisors' time costs and whether or not they approved of the Joint Administrators proceeding with the exit and fee application to Court.
91. A number of queries were received on these draft fee packs, from PricewaterhouseCoopers ("PwC") as representatives of, and advisors to, the NNUK Pension Scheme Trustee (the approximately 95% creditor of NNUK). These questions focussed on the grading of staff engaged, the usage of EY's outsourced team in India, the protocols for reviewing time costs, the charge out rates employed, the comparison between the remuneration for which approval is sought against the actual costs to date, the breakdown of cash reserved by the Joint Administrators and the estimated costs to the termination of the Administrations, the historical fee approval process, the allocation basis for reallocated time costs and a comparison of the total level costs at each EMEA Debtor. PwC also requested further detail regarding the reallocated rates for each EMEA Debtor and how those reallocated rates have changed over time, the historic approvals of increases to the Joint Administrators' charge out rates, an explanation of the difference in EY's local team charge out rates, detail and explanations of the basis for Period 2 estimates and further detail regarding certain activities that have higher costs.
92. All these questions raised by PwC were resolved to PwC's satisfaction and as a result the Joint Administrators received the resolution of the NNUK Pension Scheme Trustee dated 6 November 2019 confirming that the time costs set out in the fee packs and schedules provided to the Committee on 2 October 2019 appeared fair and reasonable and that the

- Joint Administrators should seek the approval of these time costs from the Court as part of the proposed exit and fee application. A copy of this resolution is at **[4/24/449]** of SJH18.
93. Following PwC's review of the fees packs and schedules the Joint Administrators also received the resolutions of two of the three other members of the NNUK Committee approving the same on 6 November 2019. Copies of these resolutions are at **[4/25/451]** and **[4/25/452]** of SJH18.
94. Owing to the need to postpone the making the Applications to terminate the Administrations of the Companies, the reasons for which are explained in paragraph 58 and 59 above, updated details of the remuneration sought in these Applications were required to be prepared and submitted to PwC prior to making these Applications. On 25 February 2020, the Joint Administrators provided a draft of the Schedules setting out the detail of the Joint Administrators' remuneration and Supervisors' fees for the period up to 27 December 2019 and for Period 2 to termination of the Administrations. Copies of these draft Schedules is at **[5/1/1-85]** of SJH18.
95. A number of new questions were received from PwC in relation to the draft Schedules. These new questions focussed on the charge out rates used and the approval that had been received from Committees for those rates, explanations of the tax work completed by the Joint Administrators, the variance between previous forecasts and approvals received from PwC, the work remaining to terminate the Administrations and a comparison of the total level remuneration incurred for each EMEA Debtor. PwC also requested additional detail around the proposed liquidation plans and processes, the costs associated with implementing a new finance system for the EMEA Debtors and how the cost of that system has been allocated between the EMEA Debtors. As referred to paragraph 59 above, the cost of ensuring accuracy of the data after the hand-over has been borne by EY and has not been charged to the Nortel Entities.
96. Again, all questions raised were resolved to the satisfaction of PwC and as a result the Joint Administrators received a second resolution from the NNUK Pension Scheme Trustee dated 3 April 2020 confirming that the time costs set out in the updated draft schedules provided to them appeared fair and reasonable and that the Joint Administrators should seek the approval of these time costs from the Court as part of the proposed exit and fee application. A copy of this resolution is at **[5/2/86]** of SJH18.
97. Notice of the making and hearing of these Applications will also be given to all creditors of NNUK at least 14 days before the scheduled date for a hearing of these Applications, being 7 April 2020, together with access to a copy of this statement by way of the Nortel EMEA Website, with a statement that the exhibit and the Schedules containing details of remuneration sought are available on request. Details of any responses received, and copies of the notice will be given to the Court at, or before, the hearing of the Applications.

K. COMMON ASPECTS AND CONTROL PROCESSES APPLIED TO REMUNERATION

98. The Joint Administrators make reference to the applications made to this Court in respect of the Batch One Entities and the Batch Two Entities, and the previous witness statements made by me in support of those applications, Harris 8 and Harris 11. The Court will be familiar with those common aspects including recording, monitoring and the treatment of expenses applied to the Joint Administrators' remuneration and the Supervisors' fees. These common aspects apply to the Companies in the same way as they applied to the Batch One Entities and the Batch Two Entities. As such, detailed information on these aspects is set out in **Schedule A** to this statement which is at [6/1/1] of SJH18.
99. I set out in this statement and in **Schedule A** the ways in which the Joint Administrators ensure that the remuneration incurred by the Joint Administrators of Nortel Austria and Nortel Slovakia, and the Supervisors in all three Companies is fair, reasonable and commensurate with the nature and extent of the work properly undertaken. 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 have been carried out in a timely and cost-effective manner. I can confirm that the Joint Administrators and Supervisors have carefully considered each task that has needed to be done and whether it is necessary. I have had core involvement across the Companies since my appointment and have been assisted by senior, experienced members of EY's restructuring and insolvency team.

L. CHARGE OUT RATES

100. The charge out rates applied by EY London staff in the Administrations (as distinct from the CVAs) have remained unchanged since the start of the Administrations, and the Joint Administrators have disclosed the average hourly rates of their staff in each Progress Report (in relation to the most recent Progress Reports, this may be seen at [1/7/166], [1/7/186] and [1/7/204] of SJH18). The Joint Administrators have also provided additional detail on the charge out rates in each fee pack. In relation to the most recent fee pack dated 24 February 2020, the detail is provided at [5/1/13] and [5/1/56] of SJH18.
101. The charge out rates applied in the CVAs are in some instances higher than those applied in the Administrations. In the Administrations, charge out rates vary between EY's specialist teams so that, for example, the hourly rate applied for a Partner in the Tax Advisory team could vary between £680 and £990. The Joint Administrators have instead applied a standard rate across all the various EY London teams to take account of conditions and rates prevailing in 2009. The charge out rates in the CVAs were most recently approved by the creditors of Nortel Austria and Nortel Netherlands, and the Committee of Nortel Slovakia on 23 August 2019 as part of the approval of the most recent

fee packs. Copies of the resolutions approving the application of those charge out rates are at [4/20/342] of SJH18.

102. Each EY staff member has specific hourly rates according to their level of seniority. The details of the charge out rate bands for each of the different grades of seniority are set out in **Schedule 1.1** (at [6/2/13] and [6/4/56] of SJH18) in the case of the Administrations and **Schedule 1.2** (at [6/2/14] and [6/4/57] of SJH18) in the case of the CVAs.
103. Charge out rates applied by staff based in EY's local offices are also set out in the Schedules to this Statement (**Schedules AUS1.1** and **[SLO1.1]** (at [6/2/13] and [6/4/56] of SJH18) in the case of the Administrations and **Schedules AUS1.2** and **SLO1.2** (at [6/2/14] and [6/4/57] of SJH18) in the case of the CVAs). Each EY 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.
104. Professional skill and commercial judgement are applied when determining EY's Corporate Restructuring staff charge out rates. This ensures that fair and reasonable staff charge out rates are set for the financial year. When applying professional skill and commercial judgement to the determination of annual staff charge out rates, the following factors are taken into account:
 - 104.1 overall market pressure on the level of staff charge out rates;
 - 104.2 the general level of inflation;
 - 104.3 proposed salary increases for staff in EY's Corporate Restructuring business unit; and
 - 104.4 specific increases in the level of overheads.

M. SUMMARY OF REMUNERATION AND COMPARISONS

Summary

105. The total remuneration sought for approval in these Applications is:
 - 105.1 £272,596.58 in respect of the Administration and CVA for Nortel Austria;
 - 105.2 £310,936.38 in respect of the Administration and CVA for Nortel Slovakia; and
 - 105.3 £39,500.20 in respect of the CVA for Nortel Netherlands.
106. The time periods for which remuneration is to be fixed by reference to time properly given by the Joint Administrators of Nortel Austria and Nortel Slovakia are:
 - 106.1 from 15 June 2019 to 27 December 2019 (i.e. Period 1), 27 December 2019 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; and

- 106.2 for the period from 28 December 2019 to the termination of the Joint Administrators' appointment (i.e. Period 2), subject to a cap. This Period 2 includes time costs incurred for work undertaken after 28 December 2019 but before the making of these Applications. It also includes estimated time costs for the period from the date of the Applications to 21 June 2020, being the date falling 60 days from the date listed for the hearing of the Applications and the deadline by which the Administrations should be terminated. Should the remuneration actually incurred be in excess of that amount for unforeseen reasons, the Joint Administrators would consider whether to return to Court for directions prior to the termination of their appointment.
107. In addition to their Applications for remuneration as Joint Administrators, the Joint Administrators also make Applications for approval of the Supervisors' outstanding remuneration. The CVAs of Nortel Austria and Nortel Slovakia were terminated on 15 November 2019 and the CVA for Nortel Netherlands was terminated on 8 November 2019. The Court's approval is therefore sought for the payment of fees from the last approval by that Company's CVA creditors or Committee in accordance with the terms of the CVA, from 15 June 2019 to the termination of the CVA (i.e. the CVA Period).

Comparison with remuneration previously approved by the Companies creditors or Committees

108. For context and comparison, the Companies' Committees have previously approved the Joint Administrators', Nominees' and Supervisors' remuneration amounting to £4,265,449.11 across the Companies (excluding remuneration of the Joint Administrators of Nortel Netherlands for which the Court's approval is not sought). The remuneration for which the Joint Administrators seek the Court's approval is £623,033.16, representing approximately 12.7% of the total remuneration since 2009 (including remuneration of the Joint Administrators, Nominees and Supervisors) until the latest anticipated end of the Administrations (21 June 2020, being the date falling 60 days from the date of the hearing).
109. In the case of Nortel Austria, the remuneration sought for the period between 15 June 2019 and 21 June 2020 is £272,596.58. The total remuneration (including remuneration of the Joint Administrators, Nominees and Supervisors) for the Administration of Nortel Austria for the 137 months between 14 January 2009 and 21 June 2020, including that for which approval is sought, would be £2,348,304.70. By way of comparison, the remuneration for which approval is sought represents 11.6% of the total remuneration over a period that represents c.9% of the total. I set out this comparison, with similar comparisons for Nortel Slovakia and Nortel Netherlands below. As can be seen, the remuneration for which approval is sought is broadly commensurate with prior periods and a detailed explanation for the slightly higher remuneration during the CVA Periods is at paragraph 111.

Company	Remuneration for which the	Total remuneration since 2009	Percentage of total
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	Court's approval is sought to the end of the administrations		(including that for which approval is sought)			
	Quantum	Period duration	Quantum	Duration	Quantum of remuneration	Duration
Nortel Austria	£272,596.58	12 months	£2,348,304.70	137 months	11.6%	8.8%
Nortel Slovakia	£310,936.38	12 months	£2,293,582.96	137 months	13.6%	8.8%
Nortel Netherlands (CVA only)	£39,500.20	12 months	£246,594.61	37.5 months	16.0%	32.0%
TOTAL	£623,033.16		£4,888,482.27		12.7%	9%

110. A direct comparison between the CVA Periods and the period most recently approved by the creditors or Committee of each Company is set out below.

Nortel Austria				
Period Description	Period Dates	Months	Total time costs (£)	Run Rate per month (£)
Most recent previously approved period (both Administration and CVA)	18 August 2018 to 14 June 2019	10	157,859.18	15,785.92
Period 1 and CVA Period Time Costs	15 June 2019 to 27 December 2019	6.5	182,421.99	28,064.92
Period 2 Time Costs	28 December 2019 to 21 June 2020 (the latest date for termination)	6	90,174.59	15,029.10

Nortel Slovakia				
Period Description	Period Dates	Months	Total time costs (£)	Run Rate per month (£)
Most recent previously approved period (both Administration and CVA)	18 August 2018 to 14 June 2019	10	155,454.02	15,545.40
Period 1 and CVA Period Time Costs	15 June 2019 to 27 December 2019	6.5	213,412.64	32,832.71
Period 2 Time Costs	28 December 2019 to 21 June 2020 (the latest date for termination)	6	97,523.74	16,253.96

Nortel Netherlands				
Period Description	Period Dates	Months	Total time costs (£)	Run Rate per month (£)
Most recent previously approved period	3 September 2016 to 14 June 2019	33	207,094.41	6,275.59
CVA Period Time Costs	15 June 2019 to 27 December 2019	6.5	39,500.20	6,076.95

111. The Joint Administrators draw the Court's attention to the significant increase at Nortel Austria and Nortel Slovakia in the monthly run rate in the period 15 June 2019 to 29 December 2019 set out in the tables above. This increase represents the Joint Administrators' work involved in making of final distributions to creditors and terminating the CVAs, identifying the appropriate dissolution process for each Company and preparing these Applications. Reference to this work for Nortel Austria is made at paragraph 48 above and for Nortel Slovakia at paragraph 49 above. In the case of Nortel Slovakia, this work has involved completing a complex debt-for-equity conversion to deal with the CCAA Subordinated Debt (referred to at paragraph 49.1 above) that would otherwise has resulted in an unnecessarily expensive and lengthy Slovakian insolvency process.
112. **Schedule 4.1 ([6/2/32] and [6/4/75]** of SJH18) illustrates the run rate of time costs for the prior period and Period 1 as a graph. It shows a higher run rate in the earlier years of the Administration during stabilisation and trading, a reduced run rate from late 2013 to the commencement of Period 1 and an increase at the start of Period 1 as aligned with the exit activity and liquidation planning. The increase in the run rate after 2016 reflects the work of the Joint Administrators in recovering other assets for distribution, planning and implementing the CVAs and the Expense Bar Date, adjudicating claims, making distributions to creditors and the work required to place the Companies into dissolution.

Comparisons with remuneration approved for other EMEA Debtors

113. The first page in Appendix 1 to the Schedules at **[6/5/86]** includes tables of the Joint Administrators', Nominees' and Supervisors' total time costs for the period from 14 January 2009. As the Joint Administrators would expect given the Companies' trading history and creditor profiles, Nortel Netherlands sits in the upper middle band of EMEA Debtors and Nortel Austria and Nortel Slovakia sit in the lower middle band of the EMEA Debtors.
114. The second page in Appendix 1 to the Schedules at **[6/5/87]** sets out a similar table in respect only of the Nominees' and Supervisors' remuneration. Again, the CVAs of Nortel Austria and Nortel Slovakia are in the lower band of EMEA Debtors, reflecting their smaller creditor bases. The CVA of Nortel Netherlands sits in the upper middle band of the EMEA Debtors, mainly owing to the necessary steps taken to give notice to a number of former employees who only came to the Supervisors' attention in the course of making recovery of

the surplus from the Company's pension scheme insurer and subsequently investigating and adjudicating their Catch-Up Claims (described at paragraph 41.4 above).

115. 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 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.

N. DETAIL OF REMUNERATION

Categories of time costs

116. The Joint Administrators' time costs are classified into three categories across both Period 1 and Period 2. The three main categories are: "**Direct Time Costs**", "**Reallocated Time Costs**" and "**Transaction Time Costs**".

116.1 Direct Time Costs, also referred to in fee packs as Administration Time Costs, are entity specific and have, therefore, been incurred solely in respect of one EMEA Debtor.

116.2 Reallocated Time Costs, also referred to in fee packs as General Time Costs, are not entity specific but benefit all EMEA Debtors. Each EMEA Debtor is allocated an equitable portion of costs depending on the Joint Administrators' view of the benefit received by that EMEA Debtor. Further information on how the allocation is determined is set out at paragraph 0 of Schedule A (at [6/1/1] of SJH18).

116.3 Transaction Time Costs relate to specific costs of the business sales and elements of the Allocation Dispute that followed. However, no Transaction Time Costs were incurred in the periods for which Court approval is sought and so they are not addressed in further detail.

117. A summary of the remuneration for which the Court's approval is sought for each of the Administrations and CVAs, split into the Direct Time Costs and Reallocated Time Costs, is set out in the table below. Detailed tables summarising the remuneration for which approval is sought, formatted by Period, are set out in Schedule **AUS1.0**, **SLO1.0** and **NET1.0** respectively ([6/2/12], [6/3/44] and [6/5/55] of SJH18).

Nortel Austria				
Cost Category	Administration		CVA	Total Cost (£)
	Period 1	Period 2	CVA Period	
Direct Time Costs	118,729.93	74,540.00	37,777.00	231,046.93
Reallocated Time Costs	25,915.06	15,634.59	-	41,549.65

Total remuneration sought for approval	144,644.99	90,174.59	37,777.00	272,596.58
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Nortel Slovakia				
Cost Category	Administration		CVA	Total Cost (£)
	Period 1	Period 2	CVA Period	
Direct Time Costs	145,183.31	82,255.00	42,945.97	270,384.28
Reallocated Time Costs	25,283.36	15,268.74	-	40,552.10
Total remuneration sought for approval	170,466.67	97,523.74	42,945.97	310,936.38

Nortel Netherlands				
Cost Category	Administration		CVA	Total Cost (£)
	Period 1	Period 2	CVA Period	
Direct Time Costs	n/a	n/a	39,500.20	39,500.20
Reallocated Time Costs	n/a	n/a	-	-
Total remuneration sought for approval	n/a	n/a	39,500.20	39,500.20

Time costs by grade of Joint Administrators' staff

118. For the purposes of these Applications the Joint Administrators have classified Assistant Directors and above as "**Senior Staff**", whilst Managers and below have been classified as "**Junior Staff**".

118.1 In the Administrations, EY London Senior Staff incur hourly charge out rates of usually between £490 and £990, while Junior Staff usually incur hourly charge out rates of between £40 and £580. Details of the staff grades and charge out rates in the Administrations are at Schedule 1.1 (at **[6/2/13]** and **[6/4/56]** of SJH18). While the average hourly charge out rates vary between the categories of time costs, the average hourly rates incurred by the EY teams in the Administrations during Period 1 are:

- (1) £227.45 and £74.61 in respect of Nortel Austria's Direct Time Costs and Reallocated Time Costs respectively; and
- (2) £239.97 and £274.61 in respect of Nortel Slovakia's Direct Time Costs and Reallocated Time Costs respectively.

118.2 In the CVAs, EY London Senior Staff incur hourly charge out rates of usually between £565 and £805, while Junior Staff usually incur hourly charge out rates

of between £40 and £415. Details of the staff grades and charge out rates in the Administrations are at **Schedule 2.1** (at [6/2/14] and [6/4/57] of SJH18). While the average hourly charge out rates vary between the categories of time costs the average hourly rates incurred by the EY teams in the CVAs during CVA Period are:

- (1) £267.20 of Direct Time Costs in respect of Nortel Austria;
- (2) £333.40 of Direct Time Costs in respect of Nortel Slovakia; and
- (3) £370.20 of Direct Time Costs in respect of Nortel Netherlands.

118.3 As noted at paragraph 103 above, the charge out rates of EY's local offices have not remained constant throughout the Administrations and have been subject to annual increases. That said, EY's local offices' Senior Staff currently incur hourly charge out rates of usually between £350 and £990, while EY's local offices' Junior Staff currently incur average hourly charge out rates of between £20 and £580. Details are in **Schedules 2.1** and **2.2** (marked "Local team") and in **Schedule 7.1**.

O. AN EXPLANATION OF THE SCHEDULES

119. 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) and the Practice Direction: Insolvency Proceedings 2018 (the "**Practice Direction**"). The Schedules contained in Volume 6 of SJH18 comprise a Schedule A which described common aspects that apply to remuneration processes across the Companies and are then arranged by Company. 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 Netherlands for which approval is not being sought for the Joint Administrators' fees), the relevant Schedules referred to below have not been produced.

Administration Time Costs

120. **Schedule 2** (Period 1 – 15 June 2019 to 27 December 2019), sets out the detail of the Joint Administrators' remuneration for Period 1 and comprises:

120.1 a table headed "*Schedule 2.1 Administration time (direct): analysis by person, by workstream and by grade*", which contains a complete listing of all the members of the EY UK, EY local and GDS 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.

- 120.2 a table headed “*Schedule 2.2 Administration time (direct): Analysis by grade and 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.
- 120.3 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 3.1 and 3.2.
- 120.4 a table headed “*Schedule 2.4 Total Administration time (reallocated) 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.
- 120.5 a table headed “*Schedule 2.5 Administration time (reallocated) for the Company: 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.
- 120.6 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.
121. **Schedule 3** (*Period 2 – 28 December 2019 to dissolution*), 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 27 December 2019, 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 the date of exit from the Administrations, being the date by which the Joint Administrators would hope to have commenced the local winding up or dissolution process. Should the remuneration actually incurred be in excess of that amount, the Joint Administrators would consider whether to return to the 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 comprises:
- 121.1 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 EY UK, EY local and GDS 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.

- 121.2 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.
 - 121.3 a table headed "*Schedule 3.3 Administration time (reallocated) for the Company: analysis by workstream completed*", 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 G (*Details of subsequent winding up or dissolutions*) above.
 - 121.4 a narrative summary headed "*Schedule 3.4 Administration time (reallocated): summary of work to be completed (reallocated)*", 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.
122. **Schedule 4 (Administration General)**, sets out data showing the time costs incurred 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:
- 122.1 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 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. 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.
 - 122.2 a list of those expenses incurred in relation to the Administration of each Company during Period 1 is set out below a heading "*Schedule 5.2 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.

CVA Time Costs

123. **Schedule 5** (*CVA Period– 15 June 2019 to 27 December 2019*), relates to the payment of costs to the Supervisors for CVA Period and for which the Court's approval is sought and follows a similar form to **Schedule 2** (*Period 1*) described at paragraph 120 above. **Schedule 5** (*CVA Period*) comprises:
- 123.1 a table headed "*Schedule 5.1 Supervisors' direct time costs: by person, by grade and by workstream*", which contains a complete listing of all the members of the EY UK, EY local and GDS 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 Company.
 - 123.2 a table headed "*Schedule 5.2 Supervisors' direct time costs: by grade and by 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.
 - 123.3 a narrative summary headed "*Schedule 5.3 Supervisors' direct time costs: summary of work completed*", which contains a detailed description of the tasks undertaken by the Supervisors 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 5.1 and 5.2.
 - 123.4 a table headed "*Schedule 5.4 Supervisors' general time costs 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 27 December 2019. The Supervisors of all the Companies incurred no general time costs in relation to the CVA Period.
124. **Schedule 7** (*CVA General*), sets out data for the Supervisors' fees, showing the time costs incurred over the duration of the CVAs. This Schedule comprises a graph headed "*Schedule 7.1 Weekly time costs over the duration of the CVA*", showing the weekly time costs in respect of the relevant Company from the date of their appointment to 27 December 2019. The graph illustrates that time costs initially accrued at a very low level while claims were submitted to the 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.

Receipts & Payments

125. In accordance with paragraph 21.7(a) of the Practice Direction, the Joint Administrators' most recent receipts and payments accounts ("R&P") for Nortel Austria, Nortel Slovakia and Nortel Netherlands in the Administration period to 13 January 2020, being the period covered in the latest Progress Reports, are in Schedule **AUS7.1, NET4.1** and **SLO7.1** to this statement (at **[6/2/39]**, **[6/3/52]** and **[6/4/83]** of SJH18).
126. In addition, the Supervisors' most recent R&P for the Companies in respect of the period covered in the Final CVA Reports prepared in accordance with Rule 2.44(2), are at Schedule **AUS7.2, and SLO7.2** to this Statement (at **[6/2/41]**, and **[6/4/85]** of SJH18).
127. The R&Ps are statements of cash received and cash paid out as at their date of issue and do not reflect costs incurred during the period but paid after that date.

P. DETAIL OF THE REMUNERATION FOR NORTEL AUSTRIA

128. The Joint Administrators seek Orders that their remuneration in relation to the Administration of Nortel Austria for:
 - 128.1 Period 1, being the period 15 June 2019 to 27 December 2019, be fixed at £144,644.99;
 - 128.2 Period 2, being the period from 28 December 2019 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 £90,174.59; and
 - 128.3 the approval for the payment of the balance of the Supervisors' fees in accordance with the terms of the CVA for the CVA Period, being the period from 15 June 2019 to 27 December 2019, in an amount of £37,777.00.

Administration Direct Time Costs over Period 1: £118,729.93

129. The overall Direct Time Costs incurred in the Administration during Period 1 aggregates to £118,729.93. The supporting information for these Direct Time Costs are set out in Schedules **AUS2.1** to **AUS2.3** (at **[6/2/15]** of SJH18) and the importance of some the key workstreams is described below. A detailed explanation of the tasks undertaken can be found at Schedule **AUS2.3** (at **[6/2/18]** of SJH18).
130. The key workstreams for Direct Time Costs in the Administration in Period 1 are *Tax, Strategy, Fees, Creditors, Finance, accounting and administration*, and *Statutory*, which account for over 99 percent of whole direct time cost. The more detailed summary of work completed is at Schedule **AUS2.3** at **[6/2/18]** of SJH18.

Tax - £52,457.57

- 130.1 The work done in respect of tax includes work relating to exploring and deciding the optimum strategy and tax requirements in respect of the exit from Administration and entry into a local dissolution proceeding, and liaising with the

Austrian tax authority and Austrian tax advisors regarding related tax implications of the termination of the Administration.

Strategy - £35,472.26

130.2 The Joint Administrators have worked closely with local advisors to identify and agree upon the most effective exit route to the Administration and method for the Company's dissolution, and related matters to allow for the solvent exit route and assessing the accounting steps to be taken prior to termination of the Administration.

Fees - £13,485.00

130.3 The *Fees* workstream includes time spent on preparing two fee packs, first for the most recently approved period and the second for the purpose of this Application and, in addition time costs arising from Fees, include recurring functions such as the reporting of time cost information in the Progress Reports.

Creditors - £8,471.10

130.4 The *Creditor* workstream represents time dealing with creditor queries regarding the Administration process, termination and final distribution, liaising with and providing updates to the creditors, preparing mailing lists and translations of Progress Reports, and analysing the need for any potential costs or other provisions ahead of the transfer of funds to the Supervisors to enable distributions to creditors.

Finance, accounting and administration - £4,793.00

130.5 This work is comprised of the preparation and review of financial information for decision making and includes a review of six-monthly R&Ps arising from the Joint Administrators' statutory reporting requirements and responding to certain queries from the Legacy Nortel Employees on general accounting, general recording of our cashbook system, account reconciliations and funding requirements between accounts.

Statutory - £3,881.00

130.6 The work in respect of *Statutory* is comprised of aspects of the preparation of the Progress Reports, the six-monthly internal case reviews required for compliance purposes and maintaining case files.

Administration Reallocated Time Costs over Period 1: £25,915.06

131. The key workstreams for Reallocated Time Costs in the Administration in Period 1 are *EMEA billing, EMEA tax and VAT advisory, Progress Reports, Finance, Accounting and Administration* and *Exit Strategy*. Comprising 99.5 percent of the total. Additionally, there are also sundry time costs relating to *Debtors* (£89.89), *IT* (£18.37), *Estimated Outcome Statement* (£15.55) and *Creditors* (£10.57). The more detailed summary of work completed is at **Schedule AUS2.6** at [6/2/24] of SJH18.

EMEA billing - £15,071.44

131.1 The time costs relate to the management and conduct of the time cost capture and billing process for the EMEA Debtors.

EMEA tax & VAT advisory - £5,284.50

131.2 The tax affairs of the Group were historically complex and, given the unique and complex nature of the issues involved with tax across the group, minimising tax exposure whilst also making sure the EMEA Debtors are compliant with the laws and regulations in each jurisdiction has been important in advance of any exit from Administration.

Progress Reports - £3,552.56

131.3 In order to avoid duplication of efforts between the EMEA Debtors, the Joint Administrators prepare template progress reports and common data centrally. This central work includes summarising information relating to remuneration, the necessary R&Ps and coordinating the preparation, review and production of progress reports and their sending to creditors.

Finance, Accounting and Administration - £1,133.42

131.4 It has been necessary for the Joint Administrators to ensure proper financial and accounting control in respect of the funds held by the EMEA Debtors.

Exit Strategy - £738.91

131.5 The Exit Strategy workstream primarily involves developing the mechanics to bring the administrations of each EMEA Debtor to a conclusion.

CVA Time Costs: £37,777.00

132. An analysis and further details of the Supervisors' Direct Time Costs are set out in **Schedules AUS5.1** (at [6/2/34] of SJH18) to **AUS5.3** (at [6/2/36] of SJH18) in a very similar format as presented for Administration time costs, with narrative for the tasks undertaken by the Supervisors at **Schedule AUS5.3** (at [6/5/36] of SJH18).
133. The Supervisors' work and total CVA costs of £93,769.23 (of which £37,777 relates to the CVA Period) have facilitated distributions to non-subordinated, unsecured creditors of Nortel Austria of approximately £632,000. The Supervisors' work in the CVA Period has included managing the Nortel EMEA Website, attending meetings with creditors, the creditor claim adjudication (including investigating and assessing certain complex claims), the making of distributions to creditors, modifying the CVA and implementing its final termination. In addition, it has been necessary to prepare and circulate two annual reports required by Rule 2.41 (*Supervisor's accounts and reports*).
134. **Schedule AUS6.1** (at [6/2/38] of SJH18) illustrates the run-rate of the Supervisors' time costs for the CVA from 19 May 2017, being the date on which the CVA was approved by the Company's creditors. The graph illustrates an increase in the weekly run rate following the passing of the CVA Bar Date in September 2017, as claims were determined, and

similar increases in advance of the distributions made by the Supervisors in December 2017, August 2018 and October 2019. A peak in October/November 2019 reflects work making this distribution, modifying the CVA, terminating the CVA and producing the Final CVA Report.

Administration Direct and Reallocated Time Costs over Period 2: £90,174.59

135. The total time costs for Period 2 for which approval is sought for approval are £90,174.59, broken down as £74,540.00 of Direct Time Costs and £15,634.59 of Reallocated Time Costs.
136. These Applications request the approval of remuneration for the period from 28 December 2019 up to the date of the Company's dissolution. This relatively early date was the last practicable date prior to launching of the Applications up to which the Joint Administrators could provide a full and detailed description for their time costs both to the Court and to various parties in advance of making the Application.
137. Subsequent to 28 December 2019, the Joint Administrators have already incurred Direct Time Costs of £64,719.15 up to 28 February 2020. These time costs relate to the preparation of this Application, preparing and reviewing documents necessary to implement the dissolution, final preparation work in advance of the dissolution, obtaining clarity and clearance in respect of the tax and completing certain statutory and reporting tasks required at the closure of the Administration. Detail of the full Period 2 forecast is at **Schedules AUS3.1** (at [6/2/26] of SJH18) and **AUS3.2** (at [6/2/27] of SJH18). In addition, approximately £15,959.42 of Period 2 Reallocated Time Costs (the detail of which is at **Schedules AUS3.3** (at [6/2/29] of SJH18) and **AUS3.4** (at [6/2/30] of SJH18)), has already been incurred as at 28 February 2020 where the Company benefits from certain work undertaken centrally, including billing and EMEA tax advice.

Q. DETAIL OF THE REMUNERATION FOR NORTEL SLOVAKIA

138. The Joint Administrators seek Orders that their remuneration in relation to the Administration of Nortel Slovakia for:
 - 138.1 Period 1, being the period from 15 June 2019 to 27 December 2019, be fixed at £170,466.67; and
 - 138.2 Period 2, being the period from 28 December 2019 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 £97,523.74.
 - 138.3 The Joint Administrators also seek the Court's approval for the payment of the balance of the Supervisors' fees in accordance with the terms of the CVA for the CVA Period, being the period from 15 June 2019 to 27 December 2019, in an amount of £42,945.97.

Administration Direct Time Costs over Period 1: £145,183.31

139. The overall Direct Time Costs incurred in the Administration during Period 1 aggregates to £145,183.31. The supporting information for these Direct Time Costs are set out in **Schedules SLO2.1 to SLO2.3** (at [6/4/58] of SJH18) and the importance of some the key workstreams is described below. A detailed explanation of the tasks undertaken can be found at **Schedule SLO2.3** (at [6/4/61] of SJH18).

140. The key workstreams for Direct Time Costs in the Administration in Period 1 are *Tax, Strategy, Fees, Creditors, Finance, accounting and administration*, and *Statutory*, which account for 99 percent of the whole direct time cost. In addition, it should be noted that there are also sundry costs of £340 in respect of certain legal matters. The more detailed summary of work completed is at **Schedule SLO2.3** at [6/4/61] of SJH18.

Tax - £64,909.45

140.1 The work done in respect of tax includes work relating to exploring and deciding the optimum strategy and tax requirements in respect of the exit from administration and entry into a local liquidation proceeding, liaising with Slovak tax advisors regarding VAT deregistration options and impacts and related tax matters.

Strategy - £40,386.96

140.2 The Joint Administrators have worked closely with local advisors to identify and agree upon the most effective exit route from the Administration and method for the Company's dissolution, to assess the related matters in allowing the solvent exit route and to establish the accounting steps to be taken pre-exit.

Fees - £23,449.00

140.3 The Joint Administrators have always sought to ensure that the fee packs they provide to the creditors or other parties are robust and detailed in order to help the creditors with their decision making.

140.4 In the *Fees* workstream it includes time spent on preparing two fee packs, first for the most recently approved period and second for the purpose of this application; in addition, time costs arising from Fees, include recurring functions such as the reporting of time cost information in the Progress Reports.

Creditors - £9,094.50

140.5 The *Creditor* workstream represents time in dealing with creditor queries regarding the Administration process, termination and final distribution, liaising with and providing updates to the creditors, preparing mailing lists and translations for progress reports, and analysing the need for any potential costs or other provisions ahead of the transfer of funds to the Supervisors to enable distributions to creditors.

Finance, accounting and administration - £4,693.40

140.6 This work is comprised of the preparation and review of financial information for decision making and includes a review of six-monthly R&Ps arising from the Joint Administrators' statutory reporting requirements and responding to certain queries from the Nortel finance team on general accounting, general recording of our cashbook system, account reconciliations and funding requirements between accounts.

Statutory - £2,310.00

140.7 The work in respect of Statutory is comprised of aspects of the preparation of the Progress Reports, the six-monthly internal case reviews required for compliance purposes and maintaining case files.

Administration Reallocated Time Costs over Period 1 - £25,283.36

141. The key workstreams for Reallocated Time Costs in the Administration in Period 1 are *EMEA Billing, EMEA Tax & VAT Advisory, Progress Reports, Finance, Accounting and Administration, and Exit Strategy*, comprising of 98.7% percent of the total. Additionally, there are also sundry time costs relating to *Debtors (£236.08), Estimated Outcome Statement (£55.04), Creditors (£37.41)* and IT (£7.18). The more detailed summary of work completed is at **Schedule SLO2.6** at **[6/4/67]** of SJH18.

EMEA Billing - £15,071.44

141.1 The time costs relate to the management and conduct of the time cost capture and billing process for the EMEA Debtors.

EMEA Tax & VAT Advisory - £5,284.50

141.2 The tax affairs of the Group were historically complex and given the unique and complex nature of the issues involved with tax across the group, minimising tax exposure whilst also making sure the EMEA Debtors are compliant with the laws and regulations in each jurisdiction has been important in advance of any exit from Administration.

Progress Reports - £3,552.56

141.3 In order to avoid duplication of efforts between the EMEA Debtors, the Joint Administrators prepare template progress reports and common data centrally. This central work includes summarising information relating to remuneration, the necessary R&Ps and coordinating the preparation, review and production of progress reports and their sending to creditors.

Finance, Accounting and Administration - £624.14

141.4 It has been necessary for the Joint Administrators to ensure proper financial and accounting control in respect of the funds held by the EMEA Debtors.

Exit Strategy - £415.00

141.5 The *Exit Strategy* workstream primarily involves developing the mechanics to bring the administrations of each EMEA Debtor to a conclusion.

CVA Time Costs: £42,945.97

142. I shall briefly summarise the work in relation to the CVA, in respect of which the Supervisors' Direct Time Costs have been incurred, because the CVA as a self-contained process lends itself to such an approach. An analysis and further details of the Supervisors' Direct Time Costs are set out in **Schedules SLO5.1** (at [6/4/77] of SJH18) to **SLO5.3** (at [6/4/79] of SJH18) in a very similar format as presented for Administration time costs, with narrative for the tasks undertaken by the Supervisors at **Schedule SLO5.3** (at [6/4/79] of SJH18).
143. The Supervisors' work and total CVA costs of £82,901.06 (of which £42,945.97 relates to the CVA Period) have arisen from the work completed in making distributions of approximately £187,200 to creditors. Their work has been very similar to that of the Supervisors of Nortel Austria and has included managing the Nortel EMEA Website, attending meetings with creditors, the creditor claim adjudication (including investigating and assessing certain complex claims), the making of distributions to creditors, modifying the CVA and implementing its final termination. In addition, it has been necessary to prepare and circulate two annual reports required by Rule 2.41 (*Supervisor's accounts and reports*).
144. **Schedule SLO6.1** (at [6/4/82] of SJH18) illustrates the run-rate of the Supervisors' time costs for the CVA from 26 May 2017, being the date on which the CVA was approved by the Company's creditors. The graph illustrates an increase in the weekly run rate following the passing of the CVA Bar Date in September 2017, as claims were determined, and similar increases in advance of the distributions made by the Supervisors in December 2017 and October 2019. A peak in October/November 2019 reflects work undertaken to modify the CVA, terminate the CVA and produce the final CVA Progress Report.

Administration - Time Costs over Period 2: £97,523.74

145. The total time costs for Period 2 which are sought for approval are £97,523.74, broken down as £82,255.00 of Direct Time Costs and £15,268.74 of Reallocated Time Costs.
146. These Applications request the approval of remuneration for the period from 28 December 2019 up to the date of the Company's dissolution. This relatively early date was the last practicable date prior to launching of the Applications up to which the Joint Administrators could provide a full and detailed description for their time costs both to the Court and to various parties in advance of making the Application.
147. Subsequent to 28 December 2019, the Joint Administrators have already incurred Direct Time Costs approximately £69,886.2782 up to 28 February 2020. These time costs relate to the preparation of this Application, preparing and reviewing documents necessary to implement the dissolution, and completing certain statutory and reporting tasks required at

the closure of the Administration. Detail of the full Period 2 forecast is at **Schedules SLO 3.1** (at [6/4/69] of SJH18) and **SLO3.2** (at [6/4/70] of SJH18). In addition, approximately £15,671.53 of Period 2 Reallocated Time Costs (the detail of which is at **Schedules SLO3.3** (at [6/4/72] of SJH18) and **SLO3.4** (at [6/4/73] of SJH18)), has also been incurred as at 28 February 2020 where the Company benefits from certain work undertaken centrally including billing and EMEA tax advice.

R. DETAIL OF THE SUPERVISORS' FEES FOR NORTEL NETHERLANDS

148. The Joint Administrators seek the Court's approval for the payment of the balance of the Supervisors' fees, in relation to Nortel Netherlands, in accordance with the terms of the CVA for the CVA Period being the period from 15 June 2019 to 27 December 2019, in an amount of £39,500.20.

CVA Time Costs: £39,500.20

149. I shall briefly summarise the work in relation to the CVA. An analysis and further details of the Supervisors' Direct Time Costs are set out in Schedules **NET2.1** (at [6/3/46] of SJH18) to **NET2.3** (at [6/3/48] of SJH18), with narrative for the tasks undertaken by the Supervisors at Schedule **NET2.3** (at [6/3/48] of SJH18).
150. The Supervisors' work and CVA fees of £39,500.20 have facilitated distributions, including interest, of £21,657,635 to creditors. Work completed is similar to that completed by the Supervisors of Nortel Austria and Nortel Slovakia and has included managing the Nortel EMEA Website, attending meetings with creditors, the creditor claim adjudication (including investigating and assessing certain complex claims), the making of distributions to creditors, modifying the CVA and implementing its final termination. In addition, it has been necessary to prepare and circulate two annual reports required by Rule 2.41 (*Supervisor's accounts and reports*)
151. **Schedule NET3.1** (at [6/3/51] of SJH18) illustrates the run-rate of the Supervisors' time costs for the CVA from 12 June 2017, being the date on which the CVA was approved by the Company's creditors. The graph illustrates an increase in the weekly run rate following the passing of the CVA Bar Date in September 2017, as claims were determined, and similar increases in advance of the distributions made by the Supervisors in December 2017 and October 2019. As with Nortel Austria and Nortel Slovakia, a peak in October/November 2019 reflects work undertaken to modify the CVA, terminate the CVA and produce the final CVA progress report.

S. RELIEF SOUGHT

152. 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 Insolvency 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 financial support directions issued under the Pensions Act 2004 in respect of each Company by way of the Global Settlement and the promulgation of CVAs. Those CVAs in respect of the Companies have been successful in providing a process for agreeing creditor claims and have allowed for efficient distributions of each Company's assets.

153. All the Companies' third-party creditors have been paid the principal of their claims in full. Third-party creditors of Nortel Netherlands have also received post-petition commercial interest in full. NNUK received payment of 100% of the principal of its CCAA Subordinated Debt in Nortel Netherlands and approximately 80% of its entitlement to commercial interest thereon. The only claims against Nortel Austria and Nortel Slovakia that were not satisfied in full are the claims of NNUK for CCAA Subordinated Debt (although the CCAA Subordinated Debt in Nortel Slovakia has been converted into equity in the Company).
154. The Joint Administrators have considered the process for dissolving each Company in accordance with the law in their jurisdictions of incorporation. Nortel Austria is to be dissolved through a fast track dissolution procedure as, at the time of dissolution, all assets would have been realised, proceeds distributed to the Company's creditors and the statutory purpose of the Administration achieved. Nortel Slovakia is to be placed into a solvent liquidation. Nortel Netherlands is to be dissolved as there will be no assets or liabilities at the time of the dissolution.
155. Accordingly, the Joint Administrators respectfully request that the Court makes the orders for the termination of the Administrations, conditional in each case on the commencement of a local liquidation procedure.
156. 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, with such discharge to take effect 28 days after the termination of the respective 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.
157. Having made distributions to all creditors of the Companies in respect of the principal of their claims in full (bar NNUK in respect an element of its intercompany subordinated debts due by Nortel Austria and Nortel Slovakia), the Joint Administrators consider that, insofar as all the Companies 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.

158. 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 Supervisors' remuneration for the CVA Period on the basis of the details set out in this statement and the Schedules.

T. CONCLUSION

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



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STEPHEN JOHN HARRIS

Date: 7 April 2020

**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 No. 537 of 2009 /
(AUSTRIA) GMBH CR-2009-000040**

**NORTEL NETWORKS No. 551 of 2009 /
SLOVENSKO S.R.O. CR-2009-000044**

**NORTEL NETWORKS No. 553 of 2009 /
BV CR-2009-000036**

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

**EIGHTEENTH WITNESS STATEMENT OF
STEPHEN JOHN HARRIS**
