

Applicants
Alan Robert Bloom
Seventeenth Statement
Exhibit "ARB17"
4 April 2017

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED ("NNUK")	<u>No. 536 of 2009</u>
NORTEL GMBH ("NORTEL GERMANY")	<u>No. 542 of 2009</u>
NORTEL NETWORKS NV ("NORTEL BELGIUM")	<u>No. 550 of 2009</u>
NORTEL NETWORKS S.P.A. ("NORTEL ITALY")	<u>No. 552 of 2009</u>
NORTEL NETWORKS BV ("NN NETHERLANDS")	<u>No. 553 of 2009</u>
NORTEL NETWORKS POLSKA SP. Z.O.O. ("NORTEL POLAND")	<u>No. 554 of 2009</u>
NORTEL NETWORKS HISPANIA S.A. ("NORTEL SPAIN")	<u>No. 535 of 2009</u>
NORTEL NETWORKS INTERNATIONAL FINANCE & HOLDINGS BV ("NNIF")	<u>No. 549 of 2009</u>
NORTEL NETWORKS (AUSTRIA) GMBH ("NORTEL AUSTRIA")	<u>No. 537 of 2009</u>
NORTEL NETWORKS SRO ("NORTEL CZECH REPUBLIC")	<u>No. 538 of 2009</u>
NORTEL NETWORKS ENGINEERING SERVICE KFT ("NORTEL HUNGARY")	<u>No. 540 of 2009</u>
NORTEL NETWORKS PORTUGAL S.A. ("NORTEL PORTUGAL")	<u>No. 547 of 2009</u>
NORTEL NETWORKS SLOVENSKO S.R.O. ("NORTEL SLOVAKIA")	<u>No. 551 of 2009</u>
NORTEL NETWORKS FRANCE SAS ("NORTEL FRANCE SAS")	<u>No. 544 of 2009</u>
NORTEL NETWORKS AB ("NN SWEDEN")	<u>No. 548 of 2009</u>
NORTEL NETWORKS (IRELAND) LIMITED ("NORTEL IRELAND")	<u>No. 541 of 2009</u>
NORTEL NETWORKS OY ("NORTEL FINLAND")	<u>No. 545 of 2009</u>
NORTEL NETWORKS ROMANIA SRL ("NORTEL ROMANIA")	<u>No. 546 of 2009</u>

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

SEVENTEENTH WITNESS STATEMENT OF ALAN ROBERT BLOOM

I, **ALAN ROBERT BLOOM** of Ernst & Young LLP, 1 More London Place, London SE1 2AF, United Kingdom, **DO STATE** as follows:

1. I am a licenced insolvency practitioner and partner in the firm of Ernst & Young LLP ("**E&Y**").
2. I was appointed as a joint administrator of each of the Companies on 14 January 2009 together with Alan Michael Hudson, Christopher John Wilkinson Hill and Stephen John Harris, of E&Y, save in respect of Nortel Ireland where David Martin Hughes, of Ernst & Young Chartered Accountants, and I were appointed as the joint administrators, pursuant to the orders of Mr Justice Blackburne. I will refer to us collectively in this statement as the "**Joint Administrators**". Where I use this term in relation to Nortel Ireland, I am referring to myself and Mr Hughes. References in this document to Exhibits are in the form [Volume/Tab/Page].
3. I am duly authorised to make this witness statement on behalf of the Joint Administrators, in support of the 18 applications made by them in respect of each of the Companies (the "**Applications**", each an "**Application**").
4. As I set out in further detail at paragraph 53 below, no application has been made on behalf of Nortel Networks SA ("**NNSA**"), another Nortel entity to which the Joint Administrators have been appointed. A Conflict Administrator has been appointed in respect of NNSA – see the Order of Registrar Briggs dated 2 June 2015 provided at [1/1/1] of ARB17.
5. The Joint Administrators' term of office and the administration of each of the Companies were extended by a period of 24 months by an order of Registrar Derrett on 12 January 2010 ([1/2/3] of ARB17), by a further period of 24 months by an order of Registrar Derrett on 6 December 2011 ([1/3/12] of ARB17), by a further period of 24 months by an order of Registrar Baister on 1 November 2013 ([1/4/15] of ARB17), and for a further period of 24 months by Mr Justice Snowden on 2 December 2015, so that the Joint Administrators' term of office now expires on 13 January 2018 ([1/5/18] of ARB17).
6. Save where I indicate to the contrary, the facts contained in this witness statement are within my own knowledge and are true. Where the facts stated are not within my own knowledge I have identified my sources of information and/or belief. In relation to information pertaining to each of the Companies other than NNUK and Nortel Ireland, particularly in relation to those entities' creditor bases and matters relating to tax, the facts have been provided to me by Mr Harris, one of my fellow Joint Administrators who has been principally responsible for those Companies. Mr Harris has confirmed that he is content with the accuracy of this statement insofar as it relates to those Companies. In relation to information pertaining to Nortel Ireland, Mr Hughes is my fellow Joint Administrator in respect of that entity and the facts relating to the creditor base of Nortel Ireland have been provided to me by him. Mr Hughes has also confirmed that he is content with the accuracy of this statement insofar as it relates to Nortel Ireland.

7. There is now produced and shown to me a bundle of documents marked "**ARB17**" to which I shall refer in this witness statement. Also produced and shown to me is a bundle of confidential documents marked "**ARB17C**" to which I shall also refer in this witness statement.

INTRODUCTION

(a) The Relief Sought

8. In relation to each of the Companies, the Joint Administrators seek orders in the form set out in the 18 draft orders included with the 18 Applications, being orders which:

8.1 require the Joint Administrators to pay:

- (a) those Expense Claims (as defined below at paragraph 10) which are accepted by the Joint Administrators in the ordinary course of the administration and are included on a list of accepted Expense Claims (the "**List of Accepted Expense Claims**"), which is to be uploaded on to the website www.emeanortel.com (and which is to be updated from time to time as required), the current version of which is set out in Schedule IV to this statement;
- (b) any Expense Claim in respect of which a "**Demand Form**" (in the form provided at Schedule II to this statement) is received by the Joint Administrators prior to the "**Bar Date**" (the Bar Date being whichever date is the later of (i) 13 September 2017 and (ii) 12 weeks after the date of receipt by the Joint Administrators of the monies to which the Company is entitled under the terms of the global settlement which was sanctioned by the Court on 3 November 2016 (the "**Global Settlement**")), if and to the extent that such Expense Claim is accepted by the Joint Administrators to be payable as an expense of the administration; and
- (c) any Expense Claim in respect of which a Demand Form is received by the Joint Administrators on or after the Bar Date (a "**Late Expense Claim**"), if and to the extent that such Late Expense Claim is accepted by the Joint Administrators to be payable as an expense of the administration, but without disturbing: (i) any payments or distributions that have already been made (either to unsecured creditors or in respect of other Expense Claims); or (ii) any reserve already made in respect of any other (including any disputed or future) Expense Claim; and

8.2 grant the Joint Administrators liberty to treat the balance of the assets of the

Company as thereafter being funds available for distribution to unsecured creditors, subject to making any reserve as may be required to ensure payment in full of any (including any disputed) Expense Claim of which they are aware and any future Expense Claim which they foresee at that time.

9. By way of brief explanation (and as set out in full detail in Sections B and C below), the Joint Administrators seek the relief described above because there are a number of potential Expense Claims of which they are aware (some of which are potentially very substantial), and the potential existence of such Expense Claims is likely to prevent them from making any or any substantial distributions to unsecured creditors (or, as the case may be, payments to the supervisors of any company voluntary arrangement which may successfully be promulgated). Indeed it is possible that, unless the Court grants the relief sought, some of these potential Expense Claims would not be formally asserted for some years, requiring the Joint Administrators in the meantime to hold back substantial reserves which could otherwise go to unsecured creditors. This is, in practical terms, the Joint Administrators' motivation for seeking the Court's sanction of a Bar Date for the assertion of those Expense Claims which have not yet been accepted by them in the ordinary course of the administrations.
10. Expense Claims for these purposes means any claim that ranks as an expense of the administration in the manner provided for under English law, including but not limited to:
 - 10.1 paragraph 99 of Schedule B1 to the Insolvency Act 1986 ("**Schedule B1**"); and
 - 10.2 Rules 3.50 and 3.51(2) of the Insolvency (England and Wales) Rules 2016 (the "**2016 Rules**"),and a person asserting an Expense Claim is, for the purposes of this statement, an "**expense creditor**".
11. In relation to each of Nortel Finland and Nortel Romania only, the Joint Administrators also seek the following orders:
 - 11.1 pursuant to paragraph 65(3) of Schedule B1, for permission to make such distributions to the unsecured, non-preferential creditors of Nortel Finland and Nortel Romania as the Joint Administrators consider appropriate. Such distributions shall be made in accordance with Chapter 10 of Part 2 of the Insolvency Rules 1986 (the "**1986 Rules**");
 - 11.2 pursuant to Rule 2.97(2) of the 1986 Rules, for permission to declare dividends in respect of such distributions, notwithstanding that there may (at the relevant times) be pending applications to the Court to reverse or vary a decision of the Joint Administrators on a proof (or to expunge or reduce the amount claimed), on the basis that full provision will be made for any such disputed proofs.

(b) The Structure of this Witness Statement

12. This witness statement is divided into the following sections:

Section A: Background

- (a) The Nortel Business and Insolvency
- (b) EMEA Administration Applications
- (c) Purpose of the Administrations
- (d) Progress of the Administrations
- (e) Accepted and Potential Expense Claims

Section B: The Problem Posed by the Potential Expense Claims

- (a) The French Employee Claims
- (b) The Kapsch Claim
- (c) The SNMP Claim
- (d) Potential Claims by Local Tax Authorities
- (e) The Impact of Unknown Expense Claims on Distributions to Unsecured Creditors

Section C: The Relief Sought

- (a) The Purpose and Intended Effect of the Draft Order

Section D: Nortel Romania and Nortel Finland

- (a) Part 10 Distribution

13. Accordingly, this witness statement addresses the following topics:

- 13.1 Section A: This sets out the general background to the insolvency of the Companies, highlighting those aspects of that background which are of particular relevance to the present Applications. In particular, at sub-section (e), I set out the history and subject matter of potential claims that may be asserted against certain of the EMEA Companies and which form the basis for the present Applications.
- 13.2 Section B: This describes the issue that is caused by the potential existence of certain significant Expense Claims against the EMEA Companies, namely delays in distributions to creditors.
- 13.3 Section C: This sets out the solution that the Joint Administrators consider appropriate in the circumstances to allow them to begin to distribute to creditors as expeditiously as possible.

- 13.4 Section D: This relates to the discrete matter of Nortel Romania and Nortel Finland seeking to distribute to their creditors in accordance with a distribution process under the 1986 Rules.

A. BACKGROUND

(a) The Nortel Business and Insolvency

14. In order to assist the Court in understanding the progress made by the Joint Administrators in achieving the statutory purpose of the administrations, I briefly set out below certain background information that is relevant in the context of the present Applications.

(i) Global Structure

15. A group structure chart is provided at [1/6/20] of ARB17.
16. Until 14 January 2009, Nortel Networks Corporation ("NNC") was a publicly-traded Canadian company and the direct or indirect parent of more than 130 subsidiaries located in more than 100 countries, collectively known as the "Nortel Group" or "Nortel". It operated a global networking solutions and telecommunications business.
17. Nortel Networks Limited ("NNL") is the primary Canadian operating company and holding company for most of the Nortel global subsidiaries.
18. Nortel Networks Inc. ("NNI") is a private company incorporated in the United States of America (the "US") and is the primary US Nortel operating company. It is a direct subsidiary of NNL.
19. The companies in respect of which the Joint Administrators have been appointed (i.e. the Companies or the EMEA Companies) form part of the Nortel Group and in particular form part of the Nortel Group operating in Europe, the Middle East and Africa (the "Nortel EMEA Group").

(ii) Nortel Business

20. The Nortel Group was a global supplier of networking solutions (i.e. telecommunications, computer networks and software) serving customers in Canada, the US, EMEA, the Caribbean, Latin America and Asia. The Nortel Group operated on a highly integrated basis across multiple jurisdictions affecting the operation of the global group. The Nortel Group's business was based on the development, licensing and maintenance of intellectual property and the marketing of products and services based on that intellectual property. Research and development ("R&D") was an important part of the Nortel Group's business and was carried out by entities across the group, including several of the EMEA Companies.

21. The Nortel Group operated as a matrix organisation along business lines which straddled the legal and geographic entities in the Nortel Group. Key functions were coordinated across the different companies in the Nortel Group in order to serve global R&D, manufacturing, sales and marketing needs for each category of products or services offered globally by the Nortel Group. This meant that each of the entities in the Nortel Group held some of the assets and/or business which ended up being the subject of the post-insolvency sales.

(iii) Canada and the US

22. On 14 January 2009 (the same day as the EMEA Companies had applied to go into administration), NNC and NNL (together with certain of their Canadian subsidiaries, which I collectively refer to as the "**Canadian Debtors**") sought protection under Canadian bankruptcy law, under the Companies' Creditors Arrangement Act ("**CCAA**") in the Canadian Court (the Ontario Superior Court of Justice (Commercial List)), to facilitate the reorganization of the Nortel Group for the benefit of its creditors. The Canadian Court appointed Ernst & Young Canada as the CCAA Monitor of the Canadian Debtors (the "**Monitor**").
23. On the same day, NNI and Nortel Networks Capital Corporation (together with certain of their direct and indirect US subsidiaries, which I collectively refer to as the "**US Debtors**") filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") pursuant to Chapter 11 of the US Bankruptcy Code.
24. On 26 January 2009, the Office of the United States Trustee for the District of Delaware appointed an Official Committee of Unsecured Creditors pursuant to Chapter 11 (the "**UCC**"). An ad hoc committee of bondholders holding notes issued by certain of the US Debtors and certain of the Canadian Debtors has also been organised (the "**Bondholders**").

(b) EMEA Administration Applications

25. As I explained above, on 14 January 2009, the 19 EMEA Companies were placed into administration in England by order of Mr Justice Blackburne (provided at [17/21-185] of ARB17). Since then the Joint Administrators have managed the conduct of the administration of the EMEA Companies generally. With respect to NNSA, the Conflict Administrator was appointed on 2 June 2015 as joint administrator to represent that entity's interests to the extent that they conflict (or may conflict) with the interests of the other EMEA Companies following the outcome of the Allocation Trial (as explained in more detail below).

(i) Administration orders made by the High Court of England & Wales

26. In making the administration orders, Blackburne J held that the centre of main interests for each of the companies within the Nortel EMEA Group was, for the purposes of the EC Regulation on Insolvency Proceedings 2000 (No. 1346/2000) (the "EC Regulation"), in England & Wales.
27. Each of the administrations is a main insolvency proceeding as defined in Article 3(1) of the EC Regulation.

(ii) Secondary Proceedings

28. The Joint Administrators considered that it would be in the interests of creditors to avoid secondary proceedings being opened in the jurisdictions in which the EMEA Companies were incorporated. This was because the opening of secondary proceedings was considered at the time by the Joint Administrators to be likely to erode confidence in the post-filing trading and stability of the Companies and to disrupt and/or prevent the various Companies' participations in a coordinated global reorganisation of the Nortel Group thereby reducing the value realised for the benefit of its creditors. It was also considered that the opening of secondary proceedings would almost certainly increase costs, multiply formalities and cause delay.
29. In order to discourage the opening of secondary proceedings in the various local jurisdictions in question, the Joint Administrators of each of the EMEA Companies gave various assurances in their statements of proposals dated 25 February 2009 which were approved by a creditors' meeting of each Company (the "**Statements of Proposals**") that, if creditors did not seek to open secondary proceedings, they would be in no worse position than they would be if the relevant company were subject to secondary proceedings. By way of example, a copy of the Statement of Proposals for Nortel Poland is provided at [1/8/186] of ARB17. The Statements of Proposals for the other Companies were in substantially similar form and have not been included in ARB17 in the interests of avoiding duplication. The Joint Administrators also sought relief from the Court that letters of request be sent to the Courts in each local jurisdiction.
30. With the exception of NNSA, no secondary proceedings have been opened in respect of any of the EMEA Companies.
31. The Joint Administrators subsequently considered that it was in the best interests of the creditors of NNSA to commence secondary proceedings in France. This was because NNSA was unable, unless it entered into a French insolvency process, to carry out a major and urgent part of its required restructuring programme and, in particular, to effect efficaciously certain redundancies that were necessary. Accordingly, a secondary proceeding was opened in respect of NNSA (the "**NNSA Secondary Proceeding**") on 28 May 2009 and by a judgment of the Tribunal de Commerce de Versailles (the "**French Commercial Court**"), Maître Cosme Rogeau was appointed as liquidator of NNSA (the

"**Secondary Liquidator**") and Maître Franck Michel was appointed as administrator of NNSA (the "**Secondary Administrator**") (together the "**French Officeholders**").

(iii) Recognition of the Administrations in the US

32. Following the opening of proceedings in England & Wales in January 2009, the Joint Administrators considered that, because the sale proceeds from the business disposals which had been undertaken would be held in escrow in bank accounts in New York, it was important to obtain recognition of the administrations of the EMEA Companies in the US. They therefore made applications in the US Bankruptcy Court to have the UK administrations of the EMEA Companies to be recognised as foreign main proceedings under Chapter 15 of the US Bankruptcy Code, with the attendant protections such recognition provides. On 26 June 2009, the US Bankruptcy Court ordered that the administration of NNUK be recognised as a foreign main proceeding under paragraph 1517 of the US Bankruptcy Code – a copy of the order is at [1/9/214] of ARB17. On 31 January 2011, the US Bankruptcy Court further ordered that the administrations of the remaining EMEA Companies be recognised as foreign main proceedings under Chapter 15 of the US Bankruptcy Code – a copy of the order is at [1/10/218] of ARB17.

(c) Purpose of the Administrations

33. The Joint Administrators set out their approach for achieving the statutory purpose of administration for each of the Companies in their Statements of Proposals. As the Joint Administrators explained in the Statements of Proposals, the proposals for each of the Companies in relation to the continued trading of the Companies were, *inter alia*:
- 33.1 to continue to manage the Company's businesses, affairs and property during the period of the administration whilst the possibilities for a global restructuring of the Nortel business and/or a global sale of all or part of the Nortel business (together defined as the "**Global Restructuring**") were considered, progressed and given effect to by the Company as appropriate;
- 33.2 during the process of the Global Restructuring, for the Company to continue trading and paying its suppliers and employees in respect of goods or services supplied to the Company after 14 January 2009 for so long as the Company required such goods or services;
- 33.3 to monitor the cash and asset position of the Company and the general progress and prospects of the Global Restructuring in order to be satisfied that it may still be possible to rescue the Company as a going concern and/or achieve a sale of all or part of the Company's businesses as part of the Global Restructuring and that it was appropriate that the Company continue to trade rather than cease to trade and/or be placed into liquidation;

- 33.4 if the Joint Administrators decided that a Global Restructuring was not in the best interests of creditors or that the cost of continuing to trade was no longer in the best interests of creditors, to seek to achieve a better result for creditors of the Company as a whole than would be likely if the Company were wound up, by seeking to realise the best price for the business and/or assets of the Company as was obtainable in the circumstances, and then would take steps to enable the assets of the Company to be distributed to its creditors.
34. Although the Joint Administrators continued to trade the Companies' businesses with a view to achieving a rescue of the Companies as a going concern, it soon became clear that, owing to the financial and market pressures facing the businesses of the Nortel Group, the sale of all businesses would be necessary and a rescue of the Companies as a going concern would not be possible. As such, the disposal of all core businesses and of the principal assets of the Nortel Group was commenced in 2009 and completed in 2011, giving rise to realisations in the amount of approximately US\$7.3 billion.

(d) Progress of the Administrations

35. Following their appointment, the Joint Administrators have informed creditors of the progress of the administrations. Pursuant to Rule 2.47 of the 1986 Rules, the Joint Administrators have prepared progress reports for each of the Companies on a six monthly basis since the beginning of the administrations. Since I signed my Sixteenth Witness Statement in these proceedings, dated 25 October 2016, made in support of the Joint Administrators' application seeking liberty to perform and to procure the Companies to perform the Global Settlement (as defined above) (provided at [1/11/222] of ARB17), the Joint Administrators have prepared progress reports for each of the Companies for the period 14 July 2016 to 13 January 2017 ("**Sixteenth Progress Reports**") (provided at [2-3/12/306-672] of ARB17). The Sixteenth Progress Reports were posted on or before 9 February 2017.

(i) Allocation

36. Various sales of the Nortel Group's business lines were concluded between 2009 and 2011 with total global realisations of approximately US\$7.3 billion ("**Sale Proceeds**"). Further details of the post-insolvency asset sales are set out in paragraphs 43 to 47 of my sixteenth witness statement ("**Bloom 16**") – see [1/11/222] of ARB17. In summary:
- 36.1 The officeholders of the various entities comprising the Nortel Group determined that it made most commercial sense for the Nortel Group entities to collaborate in selling the assets of the Nortel Group in a coordinated manner to maximise the proceeds that would likely be generated.
- 36.2 The Nortel Group did in fact succeed in selling its business lines and associated

assets for approximately US\$3.285 billion between 2009 and 2011.

- 36.3 The Nortel Group entities then sold the residual intellectual property (being patents, patent applications and related rights) which were remaining after the business sales for approximately US\$4.5 billion.
- 36.4 The net total of all such sale proceeds (i.e. the Sale Proceeds) currently stands in the sum of approximately US\$ 7.3 billion.
37. The dispute in relation to the allocation of the Sale Proceeds between the EMEA Debtors, the US Debtors and the Canadian Debtors, among other creditor constituencies, was heard between May and June 2014 simultaneously before the US and Canadian Courts (the "**Allocation Trial**").
38. Judgments were handed down in the Allocation Trial by Mr Justice Newbould and Judge Gross in Ontario and Delaware respectively on 12 May 2015 (the "**Judgments**"). Copies of the Judgments are provided at [3/13/673 and 3/14/763] of ARB17. Under the Judgments a "Modified Pro Rata" approach to Allocation was found to be the appropriate methodology for splitting the Sale Proceeds, meaning that Allocation should be pro rata to the "Allowed Claims" made against each Selling Debtor.
39. As explained in further detail below, a settlement has been reached in respect of the allocation of the Sale Proceeds between the US Debtors, the Canadian Debtors and the EMEA Companies.

(ii) Appointment of Conflict Administrator in respect of NNSA

40. Following the outcome of the Allocation Trial, the Joint Administrators identified that the interests of NNSA and the other Companies had diverged on account of NNSA's disappointing outcome from the Allocation Dispute following the orders of Judge Gross and Justice Newbould.
41. Given this potential or actual conflict, the Joint Administrators of NNSA applied to Court for the appointment of the Conflict Administrator, Stephen Taylor, as an additional administrator of NNSA and he was duly appointed pursuant to the Order of Registrar Briggs on 2 June 2015 (provided at [1/1/1] of ARB17). The Conflict Administrator has agreed to separately and independently represent NNSA in respect of the Allocation Dispute and in determining whether any appeal should be made in those proceedings. From that point onwards the Conflict Administrator has been solely responsible for progressing NNSA's appeal in the Allocation Dispute, and ultimately the Global Settlement. In relation to matters other than the Allocation Dispute, the Joint Administrators of NNSA have continued to carry out the day to day functions of the administration of the Company, where appropriate in consultation with the Conflict Administrator.

(iii) NNUK Proof Process and Distribution

42. Permission to make a distribution was sought by the Joint Administrators and granted by order of Mr Justice Snowden dated 23 July 2015 (the judgment and order are provided at **[3/15/893 and 3/16/909]** of ARB17). Previously, pursuant to an order from Mr Registrar Nicholls on 18 May 2010 (provided at **[4/17/914]** of ARB17), the Joint Administrators of NNUK (the "**NNUK Administrators**") had undertaken an informal proof process in order to seek to agree the quantum of a large body of trading claims at NNUK. This informal proof process was undertaken in the interests of ensuring that the corporate knowledge of the Nortel employees who continued to be engaged by the EMEA Companies would not be lost because of the delays to the formal proof process. As a result, a significant number of claims were agreed in principle. Non-trading claims (such as the claim of the NNUK pension trustees pursuant to section 75 of the Pensions Act 1995 (the "**Section 75 Debt Claim**") were not agreed by the NNUK Administrators and were still required to be examined in detail as part of a formal proof process. The Section 75 Debt Claim has now been admitted in full by the Joint Administrators.
43. The NNUK Administrators commenced the formal proof process pursuant to paragraph 65 of Schedule B1 and Chapter 10 of Part 2 of the 1986 Rules on 30 July 2015 with a deadline for claims of 31 October 2015. This was done pursuant to the Order of Mr Justice Snowden dated 23 July 2015 (provided at **[3/16/909]** of ARB17).
44. The Joint Administrators were also given permission in respect of NNUK to make a distribution to creditors under paragraph 65(3) of Schedule B1 (and other relief). My eleventh witness statement was submitted in support of that application. At the time, the Joint Administrators anticipated that they would be in a position to pay a small dividend to unsecured creditors of NNUK in the region of 0.5p to 1p in the £ prior to receiving a distribution from the Lockbox. On 30 July 2015, the Joint Administrators of NNUK gave notice of the intended dividend in accordance with Rule 2.95 of the 1986 Rules. This was, however, subject to a number of uncertainties and at paragraph 69 of my eleventh witness statement (see **[4/18/920]** of ARB17), I informed the Court that if the payment of this intended interim dividend did not prove to be cost effective or possible, the Joint Administrators would invite the Court to make an order extending the two month period during which they would be required to declare a first dividend.
45. The Joint Administrators of NNUK therefore applied to Court that it exercise its power under Rule 12.9(2), or alternatively Rule 12A.55(2) to extend the deadline for the declaration of a first dividend under Rule 2.97(1) of the 1986 Rules to 30 September 2016. Mr Justice Snowden ordered on 2 December 2015 that the time period for the Joint Administrators of NNUK to declare a dividend to NNUK's unsecured, non-preferential

creditors be extended from 31 December 2015 to 30 September 2016 (the Order is provided at [1/5/18] of ARB17 and the judgment is provided at [5/27/1333] of ARB17).

46. Mr Justice Newey made the Order delaying the distribution until 18 November 2016, a copy of which is provided at [4/19/950] of ARB17. The judgment given by Mr Justice Newey is provided at [4/20/951] of ARB17.
47. The NNUK Administrators sought a further extension to the deadline for the declaration of a first dividend to the earlier of the date ten weeks after the release of the Sale Proceeds to NNUK; or the date ten weeks after the longstop date in the Global Settlement, being 9 November 2017. Distributions have not yet been made to creditors because the Sale Proceeds have not yet been received by NNUK.

(iv) CVAs for the other EMEA Companies

48. With respect to the EMEA Companies other than NNUK, the Joint Administrators determined that the most appropriate process by which to determine the liabilities of those Companies and effect a distribution to creditors under, and in accordance with, local laws (and thereby to honour assurances that were given by the Joint Administrators, such as those referred to at paragraph 29 above) would be by promulgating company voluntary arrangements ("CVAs") in respect of each of those Companies. Liberty to promulgate CVAs was granted by order of Mr Justice Snowden dated 23 July 2015 – provided at [3/16/909] of ARB17. The intended CVAs are also designed to give effect to certain terms of the "Pensions Settlement", i.e. that part of the Global Settlement which gives effect to a compromise between UKPI (i.e. the Trustee of the NNUK Pension Fund and the Board of the Pensions Protection Fund), the Pensions Regulator and the Companies. See paragraphs 202 to 203 of Bloom 16.
49. With respect to Nortel Finland and Nortel Romania, the Joint Administrators now consider that, notwithstanding that they have been granted liberty to promulgate CVAs in respect of those Companies, it would be more appropriate to commence a formal proof process pursuant to paragraph 65 of Schedule B1 and Chapter 10 of Part 2 of the 1986 Rules, rather than promulgating a CVA. Further details of the Joint Administrators' reasoning are set out at Section D below.
50. The Joint Administrators anticipate sending copies of the proposed CVAs to the unsecured creditors of each of the EMEA Companies other than NNUK, Nortel Finland and Nortel Romania (the "CVA Companies") shortly after this statement is filed with the Court. By way of example, a copy of the draft of the proposed CVA for Nortel Czech Republic is provided at [4/21/953] of ARB17. The CVAs for the other CVA Companies which are "Limited Risk Entities" or "LREs", being small distributor companies within the Nortel Group, are substantively in the same form. The CVAs for Nortel Ireland, Nortel Germany and NNF differ in part from the Nortel Czech Republic CVA (and the CVAs for the other

LREs) because these companies do not require a mechanism for "Top-Up Payments" to be made to them from NNUK (as provided for in the Global Settlement, described in detail at paragraphs 153 to 155 of Bloom 16) whereas the CVAs for the LREs include provisions dealing with the Top-Up Payments. A copy of the proposed CVA for Nortel Germany is provided at [4-5/22/1125-1292] of ARB17.

51. At present the anticipated timetable for the CVAs is as follows. The "Effective Date" is the business day after the CVA meeting (assuming that the CVA is approved at the CVA meeting). The "Implementation Date" is the date 28 days after the Effective Date. The "CVA Bar Date" is the date four months after the Effective Date.

Company	Notice of CVA	CVA Meeting	Effective Date	Implementation Date	CVA Bar Date
Nortel Germany	5 April 2017	24 May 2017	25 May 2017	22 June 2017	25 September 2017
NNF	5 April 2017	11 May 2017	12 May 2017	9 June 2017	12 September 2017
Nortel Italy	5 April 2017	5 May 2017	8 May 2017	5 June 2017	8 September 2017
Nortel Portugal	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Spain	5 April 2017	9 May 2017	10 May 2017	7 June 2017	11 September 2017
Nortel Poland	5 April 2017	16 May 2017	17 May 2017	14 June 2017	18 September 2017
Nortel Hungary	5 April 2017	16 May 2017	17 May 2017	14 June 2017	18 September 2017
Nortel Austria	5 April 2017	19 May 2017	22 May 2017	19 June 2017	22 September 2017
Nortel Slovakia	5 April 2017	26 May 2017	30 May 2017	27 June 2017	30 September 2017
Nortel Sweden	5 April 2017	22 May 2017	23 May 2017	20 June 2017	25 September 2017

Company	Notice of CVA	CVA Meeting	Effective Date	Implementation Date	CVA End Date
Nortel Czech Republic	5 April 2017	2 June 2017	5 June 2017	3 July 2017	5 October 2017
Nortel Belgium	5 April 2017	31 May 2017	1 June 2017	29 June 2017	2 October 2017
Nortel Netherlands	5 April 2017	5 June 2017	6 June 2017	4 July 2017	6 October 2017
NNIFH	5 April 2017	5 June 2017	6 June 2017	4 July 2017	6 October 2017
Nortel Ireland	28 April 2017	2 June 2017	3 June 2017	2 July 2017	4 October 2017

52. With respect to Nortel Ireland, I note that the dates of the notice of the proposed CVA have not been definitively determined at this moment in time. However, it is anticipated that notice of the CVA will be sent to creditors of Nortel Ireland in the coming weeks and likely by 28 April 2017.

(iv) CVA for NNSA

53. As noted above, no application of a type similar to the present Applications has been made on behalf of NNSA at this stage. I have spoken to Mr Taylor, who is currently the Conflict Administrator of NNSA and is also proposed to be a joint supervisor in relation to the proposed CVA for NNSA (in which role he will conduct a more general function in relation to the affairs of NNSA going forward), about the timing of the NNSA CVA. As a consequence of our discussion, the Joint Administrators have decided not to seek to promulgate the CVA for NNSA at this stage, but rather to delay that process until the late summer.
54. The basis upon which the Joint Administrators have made this decision is that NNSA has a Secondary Proceeding which will initially proceed with its own claims process once the Sales Proceeds are released. As part of that process, potential unsecured claims in the Main Proceeding which are priority claims in the Secondary Proceeding (certain of which are disputed) may end up being resolved in their entirety. It is also envisaged that certain potential expense claims may also be substantially resolved by the Secondary Proceeding, which would mean that the proving process in the Main Proceeding could be simplified in part. For example, if tax claims by the French tax authority (in relation to post-insolvency realisation of assets) and claims by former employees of NNSA (both potential Expense Claims which are described in greater detail below in Sections 2(a) and 2(d) of the statement) are brought against the Secondary Proceeding and significantly progressed, then that may simplify dealing with Expense Claims in the NNSA Main Proceeding. Under

the NNSA Settlement Deed (which is described in detail in Bloom 16), it is envisaged that the Secondary Proceeding would be primarily responsible for the payment of priority creditors and the payment of any tax through its distribution process with various sharing mechanisms put in place between the Main Proceeding and the Secondary Proceeding.

55. As a result, the Joint Administrators consider that no application of a type similar to the present Applications should be made in relation to NNSA at present because requiring the French tax authority and the French Employees (see further below at paragraphs 124 and 132) to assert their claims against NNSA prior to the Secondary Proceeding progressing will likely lead to a more complex Expense Claims process than would otherwise be the case. It is anticipated that the Joint Administrators will return to Court to make an application in the form similar to the present Applications in due course and around the time that the proposed NNSA CVA is launched to creditors.

(v) Global Settlements

56. Bloom 16 was made in support of the Joint Administrators' application for liberty to perform and to procure the Companies to perform four settlement agreements each dated 12 October 2016: (a) the Settlement and Plans Support Agreement between (inter alia) the US Debtors, the Canadian Debtors and the EMEA Companies; (b) the UKPI Settlement Deed between (inter alia) the EMEA Companies and the UK Pensions Interest – being the Trustee of the NNUK Pension Scheme and the Board of the Pension Protection Fund; (c) the Deed of Release between the EMEA Companies and the UK Pensions Interests; and (d) the NNSA Settlement Deed between the EMEA Companies, the Joint Administrators, the Conflict Administrator and the Secondary Liquidator of NNSA (together, the Global Settlement). The terms of the Global Settlement are set out in detail in Bloom 16 and are not repeated here – see in particular paragraphs 201 to 211 at [1/11/271-278] of ARB17.
57. 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 (provided at [5/23/1293] of ARB17). The judgment given by Mr Justice Snowden is provided at [5/24/1296] of ARB17.
58. Although the Settlement and Plans Support Agreement was executed by the parties on 12 October 2016, the various agreements, releases, acknowledgments and obligations contained within it were only to become effective upon the satisfaction of various conditions including:
- 58.1 the securing of Court Orders in England and Wales, and in France, by no later than 4 November 2016 in relation to entry into and performance of the allocation settlement, i.e. the settlement given effect to by the Settlement and Plans Support Agreement (the "**Allocation Settlement**") – this was satisfied by way of the order made by Mr Justice Snowden dated 3 November 2016 and the order of the

French Court given on 27 October 2016;

- 58.2 the securing of a Court Order from the Beddoes Court authorising the Trustee to implement the Settlement and Plans Support Agreement – the Beddoes Court made this Order on 13 October 2016;
- 58.3 the securing of relevant Court Orders in the US and Canada authorising the Canadian Debtors and the US Debtors to enter into certain escrow agreements to assist in the conversion of a portion of the sale proceeds from US dollars to Canadian dollars by no later than 21 October 2016 – the Canadian Court and the US Court made these orders on 19 October 2016;
- 58.4 the execution and delivery of all relevant litigation dismissal notices – the parties are due to provide these notices to one another on satisfaction of the other outstanding conditions and no issues are anticipated in this respect;
- 58.5 the entry of the requisite Court Orders in the US and Canada sanctioning and/or confirming the US and Canadian Plans by no later than 17 February 2017 – this was satisfied by way of Orders of the US Court (with the exception of one entity which I explain at paragraph 58.6 below) and Canadian Courts dated 25 January 2017;
- 58.6 with respect to Nortel Networks India International Inc. ("NNIII"), one of the US Debtors, a Plan has not yet been confirmed by the US Court. I understand that this is due to NNIII filing for Chapter 11 protection much later than all other US Debtors, in July 2016. The parties have agreed that a waiver should be agreed with respect to the condition requiring the entry of a US Court Order regarding a Plan for NNIII. That waiver is currently being held in escrow by the parties to the Global Settlement pending satisfaction of all other conditions to the Global Settlement;
- 58.7 the orders referred to at paragraph 58.4 above should become "Final Orders". With respect to the US Order, this means that the order must not have been reversed, stayed, superseded or vacated. The US Order is currently a "Final Order" for the purposes of the Allocation Settlement and the relevant condition has been satisfied since no application for reversal, a stay, superseding or vacating of that order has been made. Indeed, no party has sought to appeal that order at all; and
- 58.8 with respect to the Canadian Order, "Final Order" means that no appeal has been filed against the order or that the time for filing an appeal has lapsed. An application for permission to appeal was lodged against the Canadian Order within the 21 day period for filing an appeal by Greg McAvoy and Jennifer Holley,

both long term disability claimants against the Canadian Debtors, in relation to the validity of the Canadian Plan (the "**Canadian Appeal**") – a copy of the application for permission to appeal is at [5/25/1316] of ARB17. The Canadian Court of Appeal denied leave to appeal on 13 March 2017. A copy of the endorsement of the Canadian Court is included at [5/26/1329] of ARB17. The Appellants have a 60 day period to file an application for leave at the Canadian Supreme Court. Accordingly, until the appeal is withdrawn, fails or expires, the Settlement and Plans Support Agreement, and therefore the Global Settlement, will not become effective. As the Canadian Order is not yet a Final Order for the purposes of the Settlement and Plans Support Agreement, the Global Settlement has yet to become unconditional. The Sale Proceeds therefore continue to be held in the lockbox escrow accounts.

59. Notwithstanding the delay to the release of the Sale Proceeds from the lockbox escrow accounts, it is still hoped and indeed expected that the funds will be released to the Joint Administrators between May and August 2017 in the following approximate amounts:

- 59.1 NNUK will receive approximately US\$1,017,408,257.
- 59.2 Nortel Ireland will receive approximately US\$39,700,848.
- 59.3 NNF will receive approximately US\$3,888,460.
- 59.4 Nortel Germany will receive approximately US\$21,657,395.
- 59.5 Nortel Spain will receive approximately US\$8,494,707.
- 59.6 Nortel Portugal will receive approximately US\$859,908.
- 59.7 Nortel Belgium will receive approximately US\$3,901,159.
- 59.8 Nortel Netherlands will receive approximately US\$9,505,530.
- 59.9 Nortel Austria will receive approximately US\$846,210.
- 59.10 Nortel Poland will receive approximately US\$6,441,991.
- 59.11 Nortel Italy will receive approximately US\$5,321,673.
- 59.12 Nortel Czech Republic will receive approximately US\$1,870,623.
- 59.13 Nortel Slovakia will receive approximately US\$713,284.
- 59.14 Nortel Hungary will receive approximately US\$940,938.
- 59.15 Nortel Romania will receive approximately US\$353,402.
- 59.16 Nortel Finland will receive approximately US\$31,282.
- 59.17 Nortel Sweden will receive approximately US\$518,276.

59.18 NNIF will receive approximately US\$2,743,194.

60. Following receipt of these amounts, the Joint Administrators of the EMEA Companies intend to take steps to ensure that distributions can be paid to creditors as expeditiously as possible. As part of the process of ensuring that creditors are paid distributions expeditiously, the Joint Administrators consider that it is incumbent upon them, in accordance with the prudent practice of insolvency practitioners, to continue to ensure that they have sufficient cash to meet the potential expenses of each of the Companies (or, where there is a shortfall of cash, to continue to ensure that the maximum amount of cash remains available to pay the potential expenses).

(e) Accepted and Potential Expense Claims

61. The Joint Administrators are aware of several significant categories of actual or potential Expense Claims against the EMEA Companies. These categories are as follows:

61.1 Those various Expense Claims which arise from contracts entered into by the Joint Administrators (such as certain of the Global Settlement documents), as well as other on-going or transactional obligations, which the Joint Administrators anticipate that they will admit in the ordinary course on the basis that they are accepted and uncontroversial – I refer to these claims as the "**Accepted Expense Claims**";

61.2 Potential Expense Claims in respect of which it is not clear: (a) whether the potential claimant will bring such claims (whether as an Expense Claim or at all); and (b) if such claims are brought, whether they will be established as Expense Claims (and if so in what amount);

61.3 Potential Expense Claims in respect of which, whilst it appears likely that they will be brought, it is unclear whether they will be established as Expense Claims (for example because they have not yet been particularised) and, if so, what their quantum will be; and

61.4 Potential Expense Claims in respect of which, whilst it appears likely that they will be brought and established as Expense Claims, the quantum is uncertain.

62. I refer to the unknown and disputed claims which fall in the categories at paragraphs 61.2 to 61.4 as the "**Unknown Expense Claims**" in the remainder of this statement. These are considered in detail in Section B below,

63. In addition, there are a number of claims that fall into the category identified at paragraph 61.1 above:

63.1 Legal and advisors' fees: Fees are incurred by the Companies and owed to various legal and other advisors (in particular, tax, accounting and audit) in each

of the relevant countries of incorporation of the various Companies, as well as US and Canadian counsel. These service providers are asked to invoice the Companies periodically.

63.2 Administration costs: Various administrative costs have been and continue to be incurred in relation to the on-going conduct of the administrations, including, for example, for payment of suppliers such as printers, storage companies and delivery companies.

63.3 Administrators' remuneration: The Joint Administrators continue to draw remuneration for the work they are undertaking for each Company, subject to approvals of creditor committees, the general body of creditors or the Court.

63.4 Intra-EMEA Company claims: The Companies are or may be subject to a number of obligations owed to one another and arising under the terms of the Global Settlement and out of the course of their administrations. For example, NNUK may be required under the Global Settlement to make payments to other EMEA Companies which are LREs (as previously approved by this Court). Similarly, agreements are in place in respect of cost sharing across the Companies with respect to legal fees and other management recharges (both pursuant to contracts or assurances entered into by the Joint Administrators). Many of these claims are intended to be accepted in accordance with the Joint Administrators' books and records.

64. The Joint Administrators propose to continue paying these accepted (and uncontroversial) Expense Claims in the normal course, subject to the necessary approvals (for example in relation to their remuneration). This proposal is reflected in paragraph (2) of the draft order, and considered further in Section C below.

B. THE PROBLEM POSED BY THE POTENTIAL EXPENSE CLAIMS

65. In addition to the Accepted Expense Claims (referred to at the end of the previous Section), the Joint Administrators are aware of a number of potential Expense Claims (i.e. Unknown Expense Claims), the uncertainty surrounding which is likely to lead to further delays to distributions to unsecured creditors. This Section addresses these potential Expense Claims and their impact on the EMEA Companies' administrations. The Joint Administrators' proposed solution to the problem raised by these Unknown Expense Claims is addressed at Section C below.

(a) French Employee Claims

66. In this sub-section, I set out my understanding of certain claims which have been brought by former employees of NNSA against a number of Nortel entities, including NNSA, NNUK

and Nortel Networks Limited (the primary Canadian entity, "NNL") (the "French Employee Claims"). I seek to explain the status of these claims as a matter of French law. The accuracy of my statements in relation to French law has been confirmed by my French counsel, Herbert Smith Freehills Paris LLP. The descriptions I give below of the French Employee Claims are intended to be a summary to assist the Court and are not intended to constitute any form of admission of the accuracy of the facts or matters alleged.

67. The French Employee Claims are currently being disputed before the *Conseil des Prud'hommes de Versailles* and the *Cour d'Appel de Versailles*. These employees have claimed damages (i) for alleged unfair dismissal against the secondary proceeding of NNSA and (ii) as a result of alleged tortious acts by NNUK. The claims have been asserted in the letters written to the Joint Administrators and the Court in the aggregate amount of approximately £43 million, but they could potentially be considerably higher in value, particularly if other employees bring claims.
68. The French unemployment guarantee fund "*Régime de Garantie des Salaires*" (known as the "AGS"), is also party to the French Employee Claims and has claimed against NNUK for the reimbursement of the guarantee payments made to the former employees of NNSA following their redundancies. As a general principle, the French Courts have determined that the AGS may receive reimbursement of all sums advanced by them to former employees from any group company which is held liable for the termination of the former employees' contracts on the basis of tortious liability. The Joint Administrators understand that the ultimate liability of the AGS to the French Employees and the size of any potential contingent liability of NNUK are dependent on the success or failure of the French Employee Claims and will be reflective of those claims.
69. The French Employees have asked the *Versailles Cour d'Appel* to order that, should it determine they have good claims against NNUK, such claims will rank as "*superprivilège*" as a matter of French law and I understand that this is broadly analogous to an assertion as a matter of English law that the claims should rank as expenses of the NNUK administration.¹
70. The Secondary Liquidator and the NNUK Administrators have challenged these claims and, in particular, the NNUK Administrators have challenged the jurisdiction of the French Courts in respect of the claims against NNUK.

¹ "*Superprivilège*" signifies, as a matter of French law, that when a company is placed into pre-insolvency or insolvency proceedings (*sauvegarde, redressement, liquidation judiciaire*), its employees have a super-preferential claim (*superprivilège*) to recover their salaries that takes priority over all other preferential claims from the company's creditors, up to a certain limit. This super-preferential claim guarantees in particular that the employees will receive their salaries for the last 60 days worked, their payments in lieu of notice and their paid leave entitlements.

(i) Causes of action asserted by the French Employees

71. The claims asserted by the French Employees are tortious and statutory claims made on a number of bases.
72. First, the French Employees claim in tort under Article 1240 of the French Civil Code (formerly Article 1382 prior to the *Ordonnance* of 10 February 2016 – for the purposes of this statement and to avoid any confusion since the submissions refer to Article 1382, any reference to Article 1382 should be deemed to be a reference to Article 1240) which provides that "*Any act carried out by a person that causes harm to another obliges the party responsible to compensate for the harm.*" This is the general tort provision under French law. As a matter of French law, for a finding of liability, the following three components must be established (similar to the English law tort principles): wrongdoing; harm/loss; and a causal relationship between the wrongdoing and the harm/loss.
73. As a matter of French law, employees may take action under Article 1382 against a third party whose wrongdoing contributed toward the loss of their employment. The *Cour de Cassation* (the highest Court in France) allows this type of action if an employee can demonstrate that he has incurred a personal harm that is separate from that incurred by other creditors, due to the loss of his employment.
74. Second, the French Employees claim under Article L.1235-10(2) of the French Employment Code which provides that: "*The validity of the redundancy plan is ascertained in light of the means of the company or the economic and social unit or the group.*" In their submissions on this article, the French Employees have argued that NNUK, NNC and NNL, as companies in the same corporate group, have a direct legal obligation to contribute toward financing the *Plan de Sauvegarde de l'Emploi* (the PSE or redundancy plan).
75. The French Employees' submissions before the French Courts have not particularised clearly the facts upon which they assert their claims. Extracts of English translations of the relevant statements from their submissions are exhibited to this statement at [5/29/1371] of ARB17. I note that these excerpts of translations are not certified. However, the Joint Administrators understand that the French Employees appear principally to rely at present on the following alleged facts:
 - 75.1 with respect to Article 1382, NNUK caused NNSA to file for administration when it was a viable business and not cash flow insolvent;
 - 75.2 also with respect to Article 1382, NNUK worsened the position of NNSA by the NNUK administrators' complicity in the strategy of the NNSA administrators and the Secondary Liquidator which is alleged to have reduced the assets available for distribution to the employees; and
 - 75.3 with respect to Article L.1235-10(2), NNUK was a group company and was

obliged to contribute to the redundancy plan.

76. To the best of the Joint Administrators' understanding of the French Employee Claims, they appear to assert that they should rank as expenses of the administration of NNUK on the basis of the following statement made at paragraph 4(B) of the NNUK Statement of Proposals in February 2009:

"Whilst the Global Restructuring is considered, progressed and given effect to as appropriate, [NNUK] shall continue trading and paying its suppliers and employees in full as an expense of the administration from the assets of [NNUK] in respect of goods or services supplied to [NNUK] after 14 January 2009 for so long as the Company shall require such goods or services."

(ii) Procedural status of the French Employee Claims

77. The claims are currently before the Versailles *Cour d'Appel*. The next procedural hearing before the Versailles *Cour d'Appel* is scheduled for 28 September 2017.
78. The French *Cour de Cassation* handed down judgment on 10 January 2017 in a separate case brought by a former employee of NNSA, Michael McMullan. Mr McMullan's case against NNUK was brought on a similar basis to the French Employee Claims. That judgment can be found at [5/28/1339] to [5/28/1355] of ARB17. Pending that judgment, the French Employee Claims in the Versailles *Cour d'Appel* were stayed on the basis that the French Court needed to have the jurisdictional question determined. The question before the *Cour de Cassation* was whether the French Court has jurisdiction to determine the French Employee Claims, insofar as NNUK is concerned. It was held by the *Cour de Cassation* that "*the employee's tort action against NNUK and the Joint Administrators based on the allegedly wrongful act committed through the opening of main insolvency proceedings against NNSA does come within the scope of Regulation 1346/2000*" and that "*the contested liability action [is] thus acknowledged to come under the jurisdiction of the High Court [of England and Wales].*" The McMullan case will be remitted to the Versailles *Cour d'Appel*, upon which the decision of the *Cour de Cassation* will not be legally binding, although it is likely to be highly persuasive. Hence, the jurisdiction issue will be argued again before the *Cour d'Appel*. Should the *Cour d'Appel* not uphold the decision of the *Cour de Cassation*, a further appeal will likely be made to the *Cour de Cassation*. Assuming Mr McMullan's claim is not amended and the *Cour d'Appel* follows the *Cour de Cassation* decision, then it is expected that it should decline jurisdiction with respect to the claims against NNUK.
79. Until now, the merits of the employees' claims have never been argued before the French Courts although there have been substantial submissions made in that respect.
80. Assuming the employees' claims remain the same as far as NNUK is concerned, i.e. identical to Mr McMullan's claim, if (notwithstanding the clear determination of the *Cour de Cassation*) the French Courts were to declare that they have jurisdiction to hear the

employees' claims and find in favour of the employees on the merits, the Joint Administrators will argue that the French Court lacks jurisdiction to rule on the ranking of such claims in relation to NNUK. Furthermore, the Joint Administrators will, in any case, argue that English law should apply to determine the ranking of the employees' claims against NNUK.

81. In addition, I understand that there is a risk that the French Employees may seek still to plead their claim on a different basis or to amend their claims.

(iii) Correspondence between the French Employees and the NNUK Administrators

82. A number of the claimants in these proceedings have written directly to the Joint Administrators (copying Mr Justice Snowden) asserting the French Employee Claims against NNUK in October and November 2015. An example of the letters which have been written directly to Mr Justice Snowden is attached in the original French and in English translation provided at [5/30/1373] of ARB17.

83. The French Employees' letters made the following key points:

- 83.1 They were written in response to the NNUK Administrators' letter of 7 August 2015 which invited the French Employees to lodge a claim before 31 October 2015 in order to be included in NNUK's distribution.
- 83.2 Claims are being asserted by the French Employees in various cases pending before several French Courts. Judgments arising out of those claims "*may give rise to claims having a rank and privilege that will be enforceable against administration expenses*".
- 83.3 The determination of the *Cour de Cassation* "*will resolve a jurisdictional issue in a case regarding the tort liability of NNUK in administration [the McMullan Claim]. This decision may be decisive for calculating the amount of my claim*".
- 83.4 The French Employees reserved the right to amend their claims "*in particular with respect to new facts or legal arguments*".
- 83.5 The NNUK Administrators should provision for the full amount of the claim asserted by the relevant French Employee (which is still subject to potential change) "*as a claim to be paid with the same level of privilege and priority as administration expenses*."
- 83.6 The letter does not constitute acknowledgement of the jurisdiction of the English Court in these disputes.

84. The Joint Administrators wrote to the Court with regard to the French Employees' letter copying counsel to the French Employees on 1 December 2015 – provided at [5/31/1378] of ARB17.

(iv) Potential Expense Claim

85. The French Employee Claims, are uncertain and likely to be disputed by the Joint Administrators. They have been asserted against NNUK and NNSA.
86. As against NNUK, the claims have been asserted as "*superprivilège*" claims as a matter of French law which, subsequently, in the letters sent to Mr Justice Snowden (see above) were characterised as constituting administration expenses. However, the basis on which it is asserted that the French Employee Claims should rank as an administration expense has not been particularised.
87. As against NNSA, as at present the claims have only been asserted in the NNSA Secondary Proceeding. The Joint Administrators understand that the claims may be up to €43 million in value, or higher.
88. The Joint Administrators consider it incumbent upon them to take steps to determine if these claims are valid or not (and if so how they should rank in the administration(s) of the relevant Company or Companies).
89. The Joint Administrators have not written directly to the French Employees in relation to the Bar Date as yet. As soon as the Application in respect of NNUK has been made, the Joint Administrators intend to send a letter to the French Employees setting out the factors set out in this witness statement as well as the proof forms for NNUK and a description of the proving process, requesting (*inter alia*) that they particularise the basis on which they assert that their claims should rank as an administration expense (if at all). In the event that the Application in respect of NNUK is granted the Joint Administrators will send each of the French Employees an "Explanatory Letter" (in the form at Schedule I to this statement) and Demand Form relating to NNUK. Insofar as the French Employees seek to assert Expense Claims against NNSA, they will not be required to submit a Demand Form at this stage, since no application similar to the present Applications has yet been made in respect of NNSA.
90. The Joint Administrators will also write to the lawyer who represents the majority of the French Employees to ensure that he is aware of the present Applications. The Joint Administrators will also write to the AGS, as they may have a contingent claim in relation to the French Employee Claims.

(b) The Kapsch Claim

91. A former supplier of the Nortel Group, Kapsch CarrierCom ("**Kapsch**" and the "**Kapsch**

Claim") has lodged an unsecured claim against NNUK. The Kapsch claim relates to an alleged breach of contract by NNUK entitling Kapsch to damages. The Kapsch Claim proof of debt is provided at [5/32/1402] of ARB17.

92. Kapsch has not formally asserted an Expense Claim but it has reserved in correspondence with the Joint Administrators its rights to make a claim on that basis in relation to alleged acts undertaken by the Joint Administrators following the entry of NNUK into administration, including a claim for inducing or procuring breach of contract and/or causing loss by unlawful means and a claim arising out of the alleged adoption of a contract by the NNUK Administrators. In assessing the Kapsch Claim, the NNUK Administrators have requested further information pursuant to their statutory powers and the NNUK Administrators' lawyers have been corresponding with Kapsch's lawyers. As that correspondence has been acquired from Kapsch pursuant to the NNUK Administrators' powers under statute, that correspondence is exhibited in the confidential bundle at [1/1-3/1-40] of ARB17C. In that correspondence, Kapsch has reduced the amount of its proof.
93. The NNUK Administrators anticipate writing shortly after the present Applications are issued describing the Expense Claim Bar Date issue and including an Explanatory Letter (and Demand Form) in relation to NNUK.

(c) The SNMP Claim

94. A claim has been brought by "SNMP" (being SNMP International, Inc. and SNMP Research, Inc., together) against the US Debtors and the Canadian Debtors (the "**SNMP Claim**"). In this sub-section, I set out background to the SNMP Claim.

(i) Claims asserted against the US Debtors and Canadian Debtors

95. The SNMP Claim relates to complaints filed against the US Debtors and Canadian Debtors. SNMP is a former software licensor to the Nortel Group alleging that it is owed fees for pre- and post-insolvency use of its software in Nortel products and that some of its intellectual property was wrongly transferred during the Nortel global business sales and/or that the sales violated SNMP's intellectual property rights.
96. It is alleged by SNMP that it authorised the Nortel Group to use SNMP software in certain Nortel products pursuant to a licensing agreement dated 23 December 1999 (the "**Nortel Licence**").
97. Following the entry of the Nortel companies into insolvency, SNMP filed a proof of claim against the US Debtors and a separate proof of claim against the Canadian Debtors, seeking stayed royalty payments in relation to the pre-insolvency period. SNMP subsequently amended its proofs of claim to seek unspecified damages and interest arising from the alleged unauthorised pre-insolvency use of SNMP software (the "**Pre-Filing Complaint**").

98. SNMP also filed a complaint and commenced an adversary proceeding on 2 November 2011 (the "**Complaint**") in the US Bankruptcy Court asserting claims against the US Debtors and the Canadian Debtors, along with certain purchasers of Nortel's business lines in relation to the Nortel companies' post-filing trading and the Business Sales. The Complaint alleged that the unauthorised use of SNMP's software continued post-insolvency and therefore the US Debtors and the Canadian Debtors were liable for copyright infringement, violations of Delaware trade secret law, and breach of contract.
99. The Complaint also asserted liability against the US Debtors and the Canadian Debtors for the allegedly improper transfer of SNMP's software to the purchasers in certain of the Business Sales and sought an account of profits from the US Debtors and Canadian Debtors.
100. Finally, the Complaint asserted liability against the purchasers for the allegedly improper use and distribution of SNMP's software following the Business Sales. An amended Complaint was filed on 27 December 2013 which asserted the same causes of action but dismissed claims against certain purchasers. The latest version of the Complaint dated 24 March 2015 is at [5-6/33/1413-1706] of ARB17.
101. In essence, SNMP's causes of action asserted against the US Debtors and Canadian Debtors are broadly as follows:
- 101.1 claims for copyright infringement;
 - 101.2 claims for misappropriation of trade secrets;
 - 101.3 claims for breach of contract; and
 - 101.4 a claim seeking allowance of an administrative expense claim in respect of profits and damages arising from the foregoing claims.

(ii) SNMP's administrative expense claims under US and Canadian law

102. SNMP seeks in the US and Canadian proceedings that those respective courts allow as a US and Canadian law equivalent to an administrative expense the reasonable value of the profits earned by Nortel and the damages incurred by SNMP as a result of the alleged uses and transfers described in the other counts in the Complaint (i.e. the heads of claim described above).
103. SNMP estimates in the Complaint that this claim should be for no less than \$86 million. However, in resolving its objection to the US Plan, SNMP agreed to accounting reserves being made by the US Debtors in relation to the administration expense claims in the amount of \$57.8 million.
104. In argument before the US Bankruptcy Court regarding the US Debtors' Motion for Clarification, SNMP asserted that the claim could be as high as \$200 million in value.

105. The Bankruptcy Code provides that "*the actual, necessary costs of preserving the estate*" are administrative expenses that have priority over other unsecured claims. SNMP asserts that its claims for profits and damages should be considered actual, necessary costs and expenses of the Estate because the wrongful use and transfer of SNMP technology allowed for a substantially higher bid for the Nortel products than would have been generated absent the SNMP technology.

(iii) US Debtors' Contribution Claim against the EMEA Companies

106. On 22 September 2015, the US Bankruptcy Court granted the US Debtors' motion seeking leave to serve a contribution claim in relation to the SNMP action against the EMEA Companies as third party defendants for any damages that SNMP may recover against the US Debtors.
107. On 2 May 2016, the US Bankruptcy Court dismissed the EMEA Companies (including NNUK) as third party defendants. This was on the basis that the terms of the US Claims Settlement released the EMEA Companies from any such contribution claim. The US Debtors have appealed the dismissal of the EMEA Companies as third party defendants. That appeal is due to be withdrawn as part of the Global Settlement.

(iv) US Debtors' motion for partial summary judgment

108. In December 2015, the US Debtors brought a motion for partial summary judgment in respect of the "profits" claim brought by SNMP. The Motion is at [6/34/1707] of ARB17.
109. In his opinion dated 8 February 2016 in relation to the summary judgment motion, Judge Gross declined to dismiss SNMP's "profits" claims: he found that "*the purchasers [in the Business Sales] were on clear notice that they were required to buy the SNMP software from SNMP*" and that it would be economically unreasonable "*to assume that the purchasers in the Business Line Sales paid twice for the SNMP software: first when they purchased - paid for - Nortel's property; and second, when they paid SNMP for the right to use the SNMP software*". Judge Gross nonetheless declined to dismiss the "profits" claims on summary judgment because he could not assess SNMP's right to recovery without knowing "*the particulars of the agreements*" through full discovery. The opinion is at [6/35/1764] of ARB17.
110. Judge Gross also held that the US Debtors infringed by transferring SNMP's software to purchasers in the Business Sales, but that SNMP's recovery might be reduced or eliminated if they could not prove that Nortel profited from the transfer of SNMP software.

(v) Summary judgment in the Canadian proceedings

111. On 26 April 2016, Justice Newbould granted summary judgment in respect of SNMP's loss of profits claim on the basis that no revenue was generated by Nortel from the alleged

copyright infringement. Pursuant to this decision it was held that there had been a breach of the Nortel Licence by the Canadian Debtors but no damages were payable.

112. SNMP's statement of claim is at [6/36/1785] of ARB17. The Canadian Debtors' statement of defence is at [7/37/1840] of ARB17. Justice Newbould's endorsement is at [7/38/1883] of ARB17.
113. Following the granting of summary judgment, costs were awarded to the Monitor and were agreed in the amount of CAN\$540,000.
114. A settlement of all outstanding claims was entered into by the Canadian Debtors and SNMP in relation to the SNMP Claims on 27 January 2017. It was agreed that SNMP would have a single general unsecured claim against NNL in the amount of US\$3,500. The claim settlement agreement is provided at [7/39/1904] of ARB17.

(vi) Motion for clarification in the SNMP Adversary Proceeding

115. Following Justice Newbould's judgment, the US Debtors brought the Canadian Court's judgment to the attention of the US Bankruptcy Court. The US Debtors also filed a motion for clarification in the SNMP adversary proceeding seeking clarification of Judge Gross's 8 February 2016 opinion regarding the US Debtors' motions for partial summary judgment. Specifically, the U.S. Debtors sought clarification from Judge Gross that "*the purchase price paid in Nortel's Business Line Sales is not attributable to any SNMP Research property, and accordingly SNMP Research has no viable claim to any portion of the purchase price*".
116. Judge Gross issued his clarification opinion on 7 July 2016 declining to adopt the US Debtors' interpretation of his earlier opinion, holding that certain questions of fact must be answered before the Court can decide whether SNMP is entitled to a portion of the Business Sales proceeds. Judge Gross also noted that the evidence and testimony of the Business Line purchasers will be critical to answering these questions.

(vii) Allocation Settlement

117. Under the Allocation Settlement any claim (whether by way of contribution or indemnity or otherwise) by any Nortel Debtor against any other Nortel Debtor in respect of any liability due or which may become due to SNMP is due to be released. Subject to the effectiveness of the Global Settlement, the SNMP Appeal will be withdrawn.

(viii) SNMP's position as regards the EMEA Companies

118. SNMP has indicated that it may seek to bring claims directly against the EMEA Companies. SNMP has taken no formal steps to make any such claim.
119. On 8 September 2015 in the hearing on the Chapter 15 motion to enforce the automatic stay, SNMP's counsel said as follows:

"[T]he EMEA Debtors, Your Honor, nonetheless try to bring in the post-petition pre-sale claims, arguing that they are subject to the automatic stay because it relates to a continuing course of conduct that is the subject of a pre-petition claim. And they are correct that the EMEA Debtors may be subject to claims that relate to this lawsuit directly by SNMP. And the rule for that ... is Federal Rule 14(a)(3). That allows us to bring direct claims against the EMEA Debtors to the extent they are added to this lawsuit. And if they are, we will preserve the right to look into that and possibly file claims in Europe and pursue those claims here, because it is only fair that if they are eventually - we don't want them added. We have had sort of enough. But if they are added, we are going to look into bringing the claims against them that the rule allows us to bring."

120. In paragraph 2 of SNMP's Opposition to the Motion to File the Third Party Complaint dated 31 July 2015, SNMP opposed the US Debtors' attempt to bring the EMEA Companies into the SNMP Proceedings before the Bankruptcy Court. One of the bases of that objection was that "*[the claims against the EMEA Companies] are wholly separate from SNMP Research's primary claims*". Another ground of objection was that the joining of the EMEA Companies to the proceedings "*appears to raise issues concerning the Court's jurisdiction and ability to enter judgment against the EMEA Debtors without the permission of the insolvency court in Europe*".
121. In paragraph 9 of the Certification of Counsel Withdrawing Objection to Motion to File Third Party Complaint dated 21 September 2015, SNMP sought to preserve its right to seek to bring direct claims against the EMEA Companies under Federal Rule of Civil Procedure 14(a)(3). SNMP ultimately withdrew its objection to the Third Party Complaint being brought by the US Debtors against the EMEA Companies.
122. SNMP did not participate directly in the dispute between the US Debtors and the EMEA Companies as to the various jurisdictional issues arising out of the attempts by the US Debtors to join them to the SNMP Proceedings. SNMP was, however, on notice of the jurisdictional aspects of the dispute (in particular, there were various submissions made by the EMEA Companies with respect to any claim being properly brought in the English Court against companies in English administration). SNMP filed a Limited Response to the EMEA Companies' Motion to Dismiss the US contribution claim, but took no position on the jurisdiction issue.

(x) Correspondence between the Joint Administrators and SNMP

123. The Joint Administrators have not corresponded directly with SNMP in relation to the Bar Date as yet. Once the present Applications are made, the Joint Administrators intend to send a letter to SNMP explaining the Applications (including providing a copy of the Applications and the draft orders sought and a link to the witness statement which will be available on the website) and the process for claiming against the CVA Companies, NNUK,

Nortel Finland and Nortel Romania. It is also intended that a proof form will be provided for NNUK. In the event that the present Applications are granted the Joint Administrators will send SNMP an Explanatory Letter (and Demand Form) relating to each of the Companies.

(xi) Potential Expense Claim

124. There would therefore appear to be a risk that SNMP may seek to assert these claims against one or more of the EMEA Companies and to assert that they should rank, at least in part, as administration expenses as a matter of English law. SNMP has had ample opportunity to bring a claim against the EMEA Companies if it intends to do so. The Joint Administrators consider that they need certainty as to whether or not such a claim will be asserted against any of the Companies (and if so which Company or Companies). The Joint Administrators consider it incumbent on them to determine whether similar claims will be asserted against the EMEA Companies and, if so, whether such claims (if successful) would rank as administration expenses.

(d) Potential Claims by Local Tax Authorities

125. The Joint Administrators anticipate receiving claims from some or all local tax authorities for corporation tax payable by the relevant Company arising out of the receipt of the Sale Proceeds.
126. The Joint Administrators have taken tax advice in each of the 17 jurisdictions in which the EMEA Companies were incorporated to understand what mechanisms exist in each jurisdiction to achieve tax finality in the context of a winding-up of a company.

(i) Clearance procedures from local tax authorities

127. The main issue that the Joint Administrators have sought to establish in these various jurisdictions has been the procedure for receiving clearance from the local tax authority in relation to whether or not a claim will be brought against the relevant Company in relation to corporation tax and the quantum of that claim, such that the Joint Administrators would be able to have the certainty that would allow them to make distributions to creditors (should any of those claims be Expense Claims). On the basis of local tax advice, the Joint Administrators understand that the procedure for seeking clearance is as follows:

- 127.1 With respect to NNUK, Nortel Ireland, Nortel Spain, Nortel Poland, Nortel Sweden, Nortel Czech Republic, NNIFH, Nortel Netherlands, Nortel Belgium, Nortel Austria, Nortel Slovakia, Nortel Hungary, Nortel Romania and Nortel Finland there are informal procedures available by which informal tax clearance can be secured in the relevant jurisdiction. However, with the exception of NNUK, these informal procedures do not provide sufficient certainty in the form of a binding determination or surrender of rights by the relevant tax authority that would allow the Joint Administrators to pay distributions notwithstanding those claims.

127.2 With respect to NNSA and NNF, there is no recognised procedure by which tax clearance can be secured (until the expiry of the relevant limitation period).

127.3 With respect to Nortel Italy, Nortel Germany and Nortel Portugal, the Joint Administrators understand that there is a formal procedure by which tax clearance can be secured. However, the likelihood of such tax clearance being, in practice, granted and the timescale for such clearance are highly uncertain.

(ii) Limitation periods for local tax authorities to bring claims

128. The Joint Administrators understand from local tax advisors in these jurisdictions that there is a risk that the Joint Administrators may not have certainty regarding the quantum of any claims that may be asserted by tax authorities for a number of years following receipt of the Sale Proceeds. In many cases certainty will not be achieved until the relevant limitation period for bringing a tax claim expires. The limitation periods will vary from jurisdiction to jurisdiction but, by way of example of the timeframes required to acquire certainty:

128.1 In Austria, the limitation period for corporation tax claims is likely to be 6 years from the receipt of the Sale Proceeds, but it can be extended to a maximum of 10 years or 15 years where a preliminary assessment has been issued but not a final assessment;

128.2 In Hungary, the limitation period for corporation tax claims is likely to be 6 years from the receipt of the Sale Proceeds; and

128.3 In Romania, the limitation period for corporation tax claims is likely to be 5 years from the filing of the tax submission (which cannot practically be done until receipt of the Sale Proceeds).

129. The Joint Administrators understand that certain tax authorities may seek to assert these claims as Expense Claims. Further details in that respect are provided at paragraph 132 below.

(iii) Communications with local tax authorities

130. On the basis of their local tax advice, the Joint Administrators have determined whether or not to contact the local tax authority in each of the 17 EMEA jurisdictions. In certain jurisdictions, the Joint Administrators have been advised that it is not usual practice for a company in a liquidation process to communicate with the tax authority and accordingly the Joint Administrators have not done so proactively in relation to the post-insolvency period. Certain historic discussions have taken place with certain tax authorities. These have usually been on an informal basis and sometimes included explaining the need for tax finality and exploring options to achieve this.

131. The Joint Administrators are now in the process of writing to each of the local tax

authorities (and, if possible, speaking to them) prior to the hearing of the present Applications setting out: (i) for the CVA Companies, details of the CVAs; (ii) for Nortel Finland and Nortel Romania, details of the proposed proof processes (in respect of NNUK, HMRC has already been contacted in relation to the proof process); (iii) an explanation of the present Applications for an Expense Claim Bar Date; and (iv) draft tax computations. A letter setting out these issues was sent to the Swedish tax authority and the Polish tax authority on 23 March 2017 and 3 April 2017, respectively (copies of which are provided in the confidential bundle of documents at [1/4-5/41-97] of ARB17C). Similar letters are being prepared for the other tax authorities and are expected to be sent in due course. In addition, the Joint Administrators intend to continue to engage proactively with the tax authorities in advance of the Bar Date to seek to ensure that claims are made by them timeously – see further details in that respect below in Section C(a)(iii).

(iv) Potential Expense Claims

132. The Joint Administrators understand that certain tax authorities in various jurisdictions may seek to assert certain claims against each of the Companies as administration expenses. This gives rise to various discrete issues, as described below. In the event that these claims are asserted as Expense Claims, the Joint Administrators may seek directions from the Court.

I. Ranking issues

133. I am advised that the question of whether or not a foreign tax claim can rank for payment as an administration expense in other EMEA jurisdictions is not straightforward and may ultimately require judicial determination. I understand that there is a possibility that certain tax authorities may seek to assert claims which they may contend rank as an administration expense on the basis of, for example, the provision at Rule 3.51(2) of the 2016 Rules which provides that "*the amount of any corporation tax on chargeable gains accruing on the realisation of any asset of the company*" ranks as an administration expense. Even if that were found not to be the case, I understand that there is a possibility that pursuant to case law there could be an argument that tax in a local jurisdiction constitutes an administration expense.
134. In the event that claims are asserted on that basis, the Joint Administrators consider it is possible that they would seek directions from the Court pursuant to paragraph 63 of Schedule B1 in relation to the proper ranking of any such tax claim asserted by a foreign revenue authority.

II. Potential paragraph 66 payments

135. Even if such tax claims do not ultimately rank as administration expenses, in order to avoid the cost and expense of litigating the point, it may be (in the appropriate circumstances)

incumbent upon or desirable for the Joint Administrators to make such payments or compromised payments pursuant to their powers under paragraph 66 of Schedule B1.

III. Timing issues

136. For present purposes, the critical issue that the Joint Administrators face with respect to claims being brought by the tax authorities in the relevant 17 jurisdictions, is that there is a risk that there will be a considerable delay following receipt of the Sale Proceeds by the relevant Companies before certain local tax authorities will engage with the Joint Administrators and formally bring claims against those Companies.
137. Whilst, as I explain above, there are "informal" clearance procedures in certain of the jurisdictions, in many of these jurisdictions this does not provide a binding determination on which the Joint Administrators can rely which would then allow them to pay distributions. In certain of these jurisdictions, I understand from my tax advisors that tax authorities will continue to reserve their right to bring further claims even after an informal clearance. As a result, in the absence of the Bar Date, the only way that the Joint Administrators can secure the requisite certainty as to tax is to wait for the limitation periods in respect of tax claims to expire in the above jurisdictions. Even where there is a potential formal tax clearance procedure, it is not clear whether such clearance would in practice be secured or what the likely timeframe for such clearance would likely be.
138. Further, a deed poll was entered into on 9 January 2015 which signifies that tax claims have been tolled for over two years – a copy of the deed poll is provided at [7/40/1924] of ARB17. There is, as a result, significant uncertainty as to when the Joint Administrators would be able to rely on limitation as a bar to the bringing of tax claims. It is clear, however, that such period would likely be a number of years, even if the deed poll were to be cancelled.
139. At present, I understand from my tax advisors that (with the exception of Nortel Italy, in respect of which, as I explain below at paragraph 183, a tax claim will only crystallise once it is established whether there is a surplus payable to shareholders) corporation tax claims arising out of the post-insolvency asset realisation process arise either on the relevant Company becoming entitled to the Sale Proceeds (i.e. when the Global Settlement becomes unconditional) or on receipt of the Sale Proceeds. As a result, it has not been possible to secure certainty in respect of the quantum or ranking of these potential claims to date.

(e) The Impact of Unknown Expense Claims on Distributions to Unsecured Creditors

140. In each of the cases described above, the uncertainty surrounding the Unknown Expense Claims will lead to further delays to distributions to unsecured creditors. The uncertainty relates to: (i) the timing of claims; (ii) the quantum of claims; and/or (iii) the ranking of

claims. The Joint Administrators are seeking the Bar Date in order to ensure that each of the Unknown Expense Claimants takes steps to claim against the EMEA Companies so that the Joint Administrators are able to pay distributions to unsecured creditors.

141. In the absence of clarity as to whether or not the Unknown Expense Claims (identified above and any other Expense Claims which are presently unknown) will be asserted (and, in some cases, as to the basis upon which they are being asserted), the Joint Administrators would be required (subject to the Court granting them the relief sought by way of the present Applications) to continue to reserve very substantial sums which would significantly limit the ability of the Joint Administrators to pay distributions to unsecured creditors for a significant time to come.
142. Indeed, with respect to all of the Companies other than NNUK, if the Joint Administrators are unable to obtain some degree of certainty in relation to the Unknown Expense Claims, this will prevent any or any meaningful distribution from being paid to unsecured creditors even after the Sale Proceeds are received. With respect to all of the Companies the Joint Administrators consider that, without a mechanism for determining the Unknown Expense Claims, there will at the very least be a very substantial further delay in distributing to unsecured creditors. The Joint Administrators consider such delays to be highly undesirable, especially in circumstances where the Companies' administrations have already proceeded for over 8 years. With respect to NNUK, the outstanding nature of the Unknown Expense Claims will not prevent a significant first distribution from being made but will impact on the finalisation of the estate and subsequent distributions.
143. For example, on the basis of the potential SNMP Claim alone, the quantum of the claim at its lower-end (between ca. US\$60 million and US\$80 million) is equal to all of the assets likely to be available for distribution in each of the EMEA Companies other than NNUK, Nortel Ireland and Nortel Germany. If the claim is asserted at the higher end of US\$200 million, then the quantum of the claim is likely higher than the assets available for all EMEA Companies other than NNUK. Obviously, if SNMP issued a claim, it would have to particularise the loss it alleges each Company has caused.
144. Similarly, without certainty in respect of whether, for example, a certain tax authority will bring a claim against a Company (certainty in respect of which, as explained at paragraph 128, cannot be secured until the claim is made or the limitation period expires) the Joint Administrators may be unable to distribute to creditors of those Companies.
145. The Joint Administrators envisage that by September or October 2017 each of the EMEA Companies will be in an advanced stage of determining their unsecured creditor bases:
 - 145.1 subject to finalising the admission or rejection of certain claims, the proof process has already been completed in respect of NNUK;

- 145.2 it is anticipated that the CVA Companies will have a bar date for unsecured claims by the end of September 2017 or October 2017; and
- 145.3 as set out in Section D of this statement, it is anticipated that if the Joint Administrators can achieve sufficient certainty as to the likely quantum of administration expenses then the distribution process could be completed in respect of Nortel Finland and Nortel Romania by October 2017.
146. The above signifies that it is likely that by September or October 2017, subject to the Joint Administrators receiving the Sale Proceeds (which it is anticipated will likely be no later than August 2017), they and, where applicable, the CVA supervisors (the “**CVA Supervisors**”) will be in a position to finally determine the unsecured liabilities of the Companies and will also have collected in all or the majority of the EMEA Companies’ assets ready for distribution.
147. Accordingly, the Joint Administrators consider that they need to know, to the extent possible, as a matter of urgency: (a) what Expense Claims are being asserted against the Companies and in what amount; and (b) the basis upon which it is asserted that any such claims should rank as administration expenses.
148. As is noted above, if the Joint Administrators of the Companies were to reserve for all of the Unknown Expense Claims, no distributions would likely be capable of being made (except in respect of NNUK) for several years or, alternatively, distributions may be significantly reduced. Orders in the terms sought would give the Joint Administrators the certainty they need to enable them to distribute assets to the creditors of the Companies (or, where applicable, make payments to the CVA Supervisors) as soon as is practicable. The process envisaged in the draft order as to how such Expense Claims will be asserted and determined will, if endorsed by the Court, assist the Joint Administrators in the objective of making expeditious distributions to creditors.
149. If such claims are asserted in accordance with the process provided for by the order sought, then the Joint Administrators will be in a position to determine whether or not such claims should be accepted in good time. At present, the Joint Administrators are unable to accurately determine the post-insolvency costs for which each of the Companies is liable or the amount of assets available for payment to unsecured creditors.

C. THE RELIEF SOUGHT

(a) The Purpose and Intended Effect of the Draft Order

150. The thrust of the relief sought by the Joint Administrators by way of the present Applications is to provide certainty with respect to certain actual or potential Expense

Claims (some of which may be significant) which, if they are (or have already been) asserted, are likely to be disputed and/or in respect of which the basis on which they are asserted as ranking as an administration expense has not yet been established to the Joint Administrators' satisfaction.

(i) The Accepted Expense Claims

151. As to the Accepted Expense Claims, these are uncontroversial or accepted claims arising out of transactions which the Joint Administrators have entered into (and continue to enter into) which give rise to Expense Claims which will not likely be disputed by the Joint Administrators and are not controversial (including, but not limited to, legal fees, accountants' fees and management recharges). Such obligations will ordinarily be paid by the Joint Administrators on an ongoing basis as administration expenses and future Expense Claims of this kind will be reserved for in the ordinary course too.
152. As reflected in paragraph (2) of each draft order, the Joint Administrators propose to maintain a List of Accepted Expense Claims, a draft of which is set out at Schedule IV to this statement. The List of Accepted Expense Claims is to be uploaded to the Joint Administrators' website (www.emeanortel.com) and is to be updated from time to time with the details of any further accepted administration expenses which may be incurred by the EMEA Companies' administrations going forwards.
153. The Joint Administrators consider that it would be unnecessary (and a disproportionate administrative burden for the creditors in question) to ask the Court to require these creditors to submit a claim in the form of the Demand Form prior to the Bar Date. Indeed, in respect of future administration expenses which may be incurred after the Bar Date (and which will be added to the List of Accepted Expense Claims, as necessary) it would obviously not be possible for such creditors to comply with the Bar Date.
154. Accordingly, the Joint Administrators propose not to require the claims listed in the List of Accepted Expense Claims to be subject to the requirement that a Demand Form be submitted in respect of them. Instead, the Joint Administrators propose to pay these administration expenses (and/or to reserve for them) prior to making distributions to unsecured creditors and to continue to do so in the ordinary course of the administration.² Paragraphs (2) and (7)(a) of the draft order are intended to give effect to the Joint Administrators' intentions in this regard.

(ii) The mechanics of the proposed Expense Claim Bar Date

² We note that the draft List of Accepted Expense Claims includes various claims which arise between the EMEA Companies. It is not currently anticipated that there will be any further bases on which any Company may bring any other Expense Claims against any other Company. However, insofar as circumstances emerge prior to the Bar Date on the basis of which any Company does seek to bring such a claim against another Company, it is intended that such claim would be required to be submitted by written demand (i.e. a Demand Form) and would not fall within the List of Accepted Expense Claims.

155. As noted above, paragraphs (3) and (4) of the draft order set out the Joint Administrators' proposed mechanism for the assertion and determination of Expense Claims.
156. By way of paragraph (3) of the draft order, the Joint Administrators seek an order which would allow them to set a bar date (i.e. the Bar Date) for the submission of claims (i.e. claims other than those listed in the List of Accepted Expense Claims) which creditors may wish to assert as administration expenses.
157. In broad terms, the intended effect of this provision of the draft order is that, in the event that an Expense Claim is not asserted before the Bar Date (and the claim is not included in the List of Accepted Expense Claims, as updated from time to time), the Joint Administrators of the relevant Company will be able to distribute assets to creditors of the Company other than expense creditors, i.e. unsecured creditors, notwithstanding the potential existence of any such claim. Again, the position of any foreseen future Expense Claim creditors, i.e. those whose claims the Joint Administrators foresee accruing after a distribution or payment is made to unsecured creditors or the CVA Supervisors (as the case may be) under paragraph (7)(a) of the draft order, is protected by the Joint Administrators' right to make a reserve in respect of such Expense Claims as provided by paragraph (7)(a) of the draft order (and those future accepted Expense Claims, once they have accrued and been accepted by the Joint Administrators, will be added from time to time to the List of Accepted Expense Claims).
158. The following paragraphs address in detail the form and intended effect of the various provisions of the draft order which relate to the Bar Date, the mechanism for calling upon potential Expense Claim creditors to submit Demand Forms and the Joint Administrators' treatment of Late Expense Claims.

(a) Paragraph (1) of the draft order: Explanatory Letter

159. Paragraph (1(a)) of the draft Order provides that, in the event that the Court is minded to grant the relief sought by the Joint Administrators, an Explanatory Letter (as therein defined) should be sent to potential Expense Claim creditors of the EMEA Companies (in the form appearing in Schedule I to this statement), save for those creditors whose claims are included in the List of Accepted Expense Claims (as at stands at the date on which the Explanatory Letter is sent out). Since the Expense Claim creditors who appear in the List of Accepted Expense Claims are not affected by paragraphs (3) and (4) of the draft order, and the Joint Administrators do not anticipate there being any dispute as to the quantum of the claims included in the List of Accepted Expense Claims, it is not proposed that the Explanatory Letter should be sent to them.
160. As noted in paragraph (1(b)) of the draft order, it is also proposed that, if made, the order should be advertised in the publications identified in this paragraph of the present witness statement (or, if the circumstances so require – i.e. if for some unexpected reason the Joint

Administrators are unable to advertise in that specific publication – an equivalent publication of similar standing and circulation) in the form provided for in Annex III to the draft order (translated, as appropriate, into the relevant local language) (the “**Advertisement**”). Those publications, which were selected because I understand they are all leading publications with wide circulations, are as follows:

- (A) In the UK, The London Gazette and The Times;
- (B) In Austria, Die Presse;
- (C) In Belgium, Le Soir;
- (D) In the Czech Republic, Mlada Fronta Dnes;
- (E) In France, Les Echos;
- (F) In Germany, Frankfurter Allgemeine Zeitung;
- (G) In Hungary, Magyar Nemzet;
- (H) In Ireland, The Irish Times;
- (I) In Italy, La Repubblica;
- (J) In the Netherlands, De Financieele Telegraaf;
- (K) In Poland, Rzeczpospolita;
- (L) In Portugal, Diario de noticias;
- (M) In Slovakia, Novy Cas;
- (N) In Spain, El Pais;
- (O) In Sweden, Dagens Nyheter;
- (P) In Romania, Ziarul Financiar; and
- (Q) In Finland, Helsingin Sanomat and Virallinen Lehti.

161. It is currently proposed that the deadline for the Explanatory Letter to be sent to potential administration expense creditors is 13 June 2017. This date may change closer to the time of the hearing of the present Applications depending on when or if the Sale Proceeds are received by the Companies.

(b) Paragraph (3)(a) of the draft order: Bar Date

162. The proposed Bar Date is intended to be the later of: (i) the date three months after notice is given to potential Expense Claim creditors by way of the Explanatory Letter of the Court making the order sought; and (ii) the date twelve weeks after the date of receipt by the Joint Administrators of the monies to which the Companies are entitled under the Global Settlement. It is the Joint Administrators' considered view, having carefully balanced the

competing interests at stake, that by calibrating the Bar Date in this way they will give Expense Claim creditors sufficient notice to comply with the Bar Date, whilst not jeopardising the expeditious return of assets to unsecured creditors.

163. By the Bar Date, the relevant Expense Claim creditors are required to submit a written demand in the form of the Demand Form (as defined in paragraph (1) of the draft order), which is annexed as Annex II of the draft order. The Joint Administrators hope to have more clarity on the likely timing of the Bar Date by the time of the hearing. Therefore, in the Explanatory Letter, it may be possible for the Joint Administrators to state with precision when exactly the Bar Date will fall.

164. The Bar Date is intended to be a general bar date against all Expense Claim creditors who are not included on the List of Accepted Expense Claims (as updated from time to time), subject to the Joint Administrators' obligation to pay Late Expense Claims, i.e. those Expense Claims in respect of which a Demand Form is received by the Joint Administrators on or after the Bar Date (see paragraph (5) of the draft order), in certain circumstances as set out in paragraphs (5), (6) and (7)(b) of the draft order (and as addressed in further detail below).

165. As noted above, the Joint Administrators propose to require all Expense Claim creditors to assert their claim in the form of the Demand Form (other than those who appear on the List of Accepted Expense Claims): see paragraph (3)(a) of the draft order. The Demand Form provides guidance as follows in relation to what constitutes an Expense Claim:

"Expense Claims are a specific category of claims arising under English Law. "Expense Claim" means any claim that ranks as an expense of the administration in the manner provided for under English law, including but not limited to:

(a) *paragraph 99 of Schedule B1 to the Insolvency Act 1986; and*

(b) *Rules 3.50 and 3.51(2) of the Insolvency (England and Wales) Rules 2016.*

Expense Claims may include, for example, any fees, costs, charges and other expenses incurred after 14 January 2009 and during the course of the administration. Expense Claims are payable out of the assets of the company before any payments to preferential creditors, unsecured creditors or members. A person asserting an Expense Claim is an "Expense Creditor"."

(c) Paragraph (2) of the draft order: the List of Accepted Expense Claims

166. As noted above, whilst the requirement under paragraph (3)(a) of the draft order for Expense Claim creditors to submit Demand Forms by the Bar Date is intended to have general effect, there are some Expense Claims which the Joint Administrators wish to carve out from this requirement on the basis that they are accepted and uncontroversial.

These are the claims which appear in the List of Accepted Expense Claims (as updated from time to time).

(d) Paragraph (4) of the draft order: dispute resolution mechanism

167. In the event that an Expense Claim is made in the form of the Demand Form and the Joint Administrators of the relevant Company reject that claim, whether in whole or in part, the Joint Administrators propose to have a process for settling such claims.
168. In such circumstances, the Joint Administrators propose to take such steps as they consider appropriate to agree the amount and existence of the relevant claim. Failing such agreement, the Joint Administrators would make an application to Court for directions pursuant to paragraph 63 of Schedule B1. This dispute resolution mechanism is set out in paragraph (4) of the draft order.

(e) Paragraphs (5) and (6): Late Expense Claims

169. The Joint Administrators consider that, in the event that they receive a completed Demand Form in respect of an asserted Expense Claim on or after the Bar Date (a "**Late Expense Claim**") and they have not yet distributed any or all of a Company's funds to its unsecured creditors (or other expense creditors), then they are required (if such Late Expense Claim is valid, whether in whole or in part) to pay that Late Expense Claim. This is reflected in paragraph (5) of the draft order.
170. The Joint Administrators consider it likely that there will be more than one distribution to unsecured creditors in the case of the majority of the Companies. In these circumstances, it is possible that there may be Demand Forms in respect of Late Expense Claims received by the Joint Administrators in the interim period after a distribution to unsecured creditors in circumstances where the Joint Administrators still hold funds (but potentially insufficient to pay all Expense Claims and Late Expense Claims in full).
171. Paragraphs (5) and (7)(b) of the draft order, together, are intended to provide a structured and explicit statement of the mechanism for payment of Late Expense Claims, without undermining the Joint Administrators' ability to make distributions to unsecured creditors pursuant to paragraph (7)(a).
172. Specifically, paragraphs (5) and (7)(b) of the draft order contemplate that, if a Late Expense Claim is made after a distribution has already been made to unsecured creditors under paragraph (7)(a) (and it is accepted), then the Joint Administrators shall pay that Late Expense Claim *pari passu* with any other outstanding Expense Claim: (a) provided that the payment of that Late Expense Claim is made out of funds which have not already been paid to creditors (whether other Expense Claim creditors or unsecured creditors); and (b) subject to any reserve that has already been made in respect of Expense Claims. The rationale for this approach is that it is fair that a (non-Late) Expense Claim creditor in

respect of whose claim a reserve has been made (e.g. because it was disputed but, in the event, accepted) should be paid 100p/£ (to the extent that sufficient funds are available to do so after taking into account (a) and (b) above), just like all other Expense Claim creditors who will have been paid in full prior to the relevant distribution to unsecured creditors.

173. Paragraph (6) provides for a dispute resolution mechanism where a Late Expense Claim is not agreed.

(f) Paragraph (7) of the draft order: Distribution and Reserve

174. Paragraph (7)(a) sets out the liberty of the Joint Administrators to distribute to unsecured creditors (or, where applicable, to make payment to the CVA Supervisors), notwithstanding the existence of any Expense Claims which: (a) are not included on the List of Accepted Expense Claims (as updated from time to time); or (b) have not been asserted by way of a Demand Form prior to the Bar Date (subject to the provisions for the payment of Late Expense Claims in certain circumstances, as considered in sub-section (e) above).

175. Such distribution to unsecured creditors is intended to be subject to the making of a reserve as may be required to pay all Expense Claims of which the Joint Administrators are aware and any future Expense Claims which they foresee, in full. This is reflected in paragraph (7)(a) of the draft order.

176. As noted above, paragraph (7)(b) provides that, if a Late Expense Claim is made after one or more distributions have already been made pursuant to paragraph (7)(a), then that claim will be paid out of funds available to do so without disturbing previous distributions (whether to other Expense Claim creditors or unsecured creditors) or amounts already reserved for the payment in full of any Expense Claims.

(g) Summary of paragraphs (5) to (7) of the draft order: Late Expense Claims

177. In simplified terms, the practical impact of paragraphs (5) to (7) of the draft order on the sequence of events surrounding the making of payments to (Late) Expense Claimants and unsecured creditors would be as follows:

177.1 Demand Forms in respect of Expense Claims (other than those set out in the List of Accepted Expense Claims) are to be submitted to the Joint Administrators by way of the Demand Form, as set out in Annex II to the draft order, by no later than the Bar Date (as defined at paragraph (2) of the draft order).

177.2 Sometime later, the Bar Date occurs.

177.3 Timely Expense Claims (and Expense Claims included in the List of Accepted Expense Claims) are then paid to the extent possible (paragraphs (2) and (3)), subject to any dispute in respect of an Expense Claim asserted in a Demand

Form which may need to be resolved by way of the process provided in paragraph (4).

- 177.4 If a Late Expense Claim is made after the Bar Date but before the first distribution to unsecured creditors (the "First Distribution"), then pursuant to paragraph (5) any such Late Expense Claims will be paid *pari passu* with the Expense Claims described immediately above.
- 177.5 Provided that the Company holds sufficient funds, the First Distribution is made to unsecured creditors pursuant to paragraph (7(a)) of the order, subject to appropriate reserves being made in respect of: (a) Expense Claims of which the Joint Administrators are aware (including, for example, any Expense Claim asserted prior to that distribution which as at the date of that distribution has not yet been finally determined by the Court); and (b) any future Expense Claim which they foresee.
- 177.6 In the event that any (or any further) Late Expense Claim is made after the First Distribution, any such Late Expense Claim shall be paid out of any available amounts but without disturbing: (a) any existing reserves for payment of Expense Claims (including future Expense Claims); or (b) any distributions already made to unsecured creditors. See paragraphs (5) and (7)(b) of the draft order.
- 177.7 To the extent that there is a dispute in respect of a Late Expense Claim (whether as to liability or as to quantum), then the Joint Administrators shall reserve for the full amount of that Late Expense Claim before making a further distribution to unsecured creditors (paragraph (7)(a)).
- 177.8 N.B. Paragraph (7)(a) is in a slightly different form as between: (a) those Companies which are not promulgating CVAs; and (b) those Companies which are promulgating CVAs. As to those Companies in category (a), paragraph (7)(a) of the draft order provides for distributions to unsecured creditors pursuant to paragraph 65 of Schedule B1. As to those Companies in category (b), paragraph (7)(a) provides for payment to the CVA Supervisors.

(g) Engagement by Expense Claim creditors

178. As detailed in the section below in relation to notice to creditors, the Joint Administrators consider that the process that they propose to follow will give adequate notice to potential Expense Claim creditors (both known and unknown), such that it is reasonable to expect Expense Claim creditors to file a Demand Form prior to the Bar Date (where they are required to do so).
179. However, there is nonetheless some risk that certain Expense Claim creditors may nonetheless fail to engage in time, and the Joint Administrators wish to be free to pay any

such Late Expense Claim (to the extent such claim is agreed) and for it to be clear how and in what circumstances they may pay such Late Expense Claims.

180. This risk of non-compliance with the Bar Date relates in particular (and most obviously) to certain European tax authorities which, the Joint Administrators understand, may be slower than other creditors to process and submit Demand Forms in respect of possible Expense Claims, given the nature of their internal administrative processes, their status as public bodies, and given that tax authorities can typically retain the right to challenge a company's tax affairs at any time prior to the expiry of the relevant limitation period. As set out in greater detail above at paragraph 131, the Joint Administrators have in recent weeks commenced the process of engaging with these tax authorities proactively and intend to continue to do so in the coming weeks and months in respect of the Bar Date in order to minimise the risk that has been identified.
181. This risk of tardy engagement with the Demand Form process may also arise in relation to the French Employees. As set out in greater detail above at paragraph 89, the Joint Administrators intend to engage with the individual French Employees as well as their lawyers in respect of the Bar Date also in order to minimise this risk.
182. In light of the above, the Joint Administrators consider it desirable for the order, if granted, to include a mechanism by which they are able, if appropriate, to deal with Expense Claims which are valid save for their having been filed late while not disturbing any payments already made in respect of other Expense Claims, any amounts already reserved for (including the remuneration of the Joint Administrators and foreseen future Expense Claims) and any distributions already made to unsecured creditors, without this mechanism undermining their ability to pay distributions to unsecured creditors expeditiously. Paragraphs (5) to (7) are designed to provide the appropriate mechanism.

(h) Nortel Italy – requirement for a longer Bar Date

183. Based on local tax advice received by the Joint Administrators, I understand that, as a consequence of Italian law, corporation tax will only be payable once all unsecured claims are paid in full and in respect of any surplus that may be paid to shareholders.
184. As a result, an additional period of time is required with respect to Nortel Italy to determine whether or not there is a surplus in Italy before the Italian tax authority will be able to determine whether or not it intends to bring a claim against Nortel Italy. The Joint Administrators will need to know the unsecured creditor base of the Company before the Bar Date can be set for Expense Claims. Therefore, in respect of Nortel Italy the Joint Administrators are seeking a Bar Date which is extended by a further three months than for the other Companies to allow for the Joint Administrators to ascertain the unsecured creditors of the Company following the bar date for claims in the CVA which is anticipated to be 8 September 2017.

(iii) Notice to Creditors

185. The Joint Administrators are cognisant of the importance of providing adequate notice of the proposed Bar Date to creditors. The Joint Administrators intend to proceed as follows with regards to notifying potential Expense Claim creditors:

185.1 Notice was given to creditors of the present Applications in the Progress Reports on 9 February 2017. See, for example, pages [3/12R/653] and [2/12L/533] of ARB17, the Progress Reports for NNUK and Nortel Poland, respectively. All known creditors of the Companies receive the Progress Reports, save for certain potential Expense Claim creditors (in particular, SNMP, which has never sought to bring a claim against any of the Companies and therefore does not receive copies of the Progress Reports).

185.2 The notice given in the Nortel Poland Progress Reports (which was provided in similar form to all other CVA Companies) was as follows:

"In addition to the bar date for unsecured claims, it is currently intended that the CVA will provide that any creditor with a claim that ranks as an administration expense under English law will be required to submit a written demand to the Joint Administrators before the bar date. Claims which rank as an administration expense are payable in priority to unsecured claims. Whether or not claims will rank as an administration expense will be determined by the Joint Administrators or the Court but a liability cannot be an administration expense if it was incurred prior to 14 January 2009. The failure to submit an administration expense claim before the specified date may result in that claim not being paid. It is also intended that an application will be made to the English Court in March or April 2017 seeking an order requiring creditors with administration expense claims to submit a written demand before the bar date, as provided for by the CVA. Creditors will be advised of the Court's decision thereafter. Creditors who would like further information, including specific details of the application should contact the Administrators. The application, when made, details of the court hearing, the order sought from the Court and non-confidential supporting materials will be made available on www.emeanortel.com."

185.3 It should be noted that the proposed CVAs do not purport to require Expense Claim creditors to submit written demands for payment. Rather, at paragraph 11 of the Proposal, the CVAs put potential Expense Claim creditors on notice (to the extent that they have received copies of the relevant proposed CVA) of the present Applications and explain the consequences of failing to notify such claims – see page [4/22/1150] of ARB17.

185.4 The notice given in the NNUK, Nortel Finland and Nortel Romania Progress

Reports was as follows:

"The Joint Administrators therefore intend to apply to the English Court seeking an order that any creditor with a claim that it considers is an administration expense under English law must submit such claim in writing before a specified date. The failure to submit an administration expense claim before the specified date may result in that claim not being paid. This will enable the Joint Administrators to be certain of the total amount of administration expense claims and means that they would likely be able to distribute the Company's assets to creditors more promptly. Further information on any such application and any order made by the English Court will be made available at www.emeanortel.com."

- 185.5 Following confirmation of the hearing date for the present Applications, a notice was placed on the Joint Administrators' website on 14 March 2017 – see pages [7/41/1937] to [7/41/1938] of ARB17.
- 185.6 The present Applications, the draft orders and the non-confidential supporting materials will be made available on the Joint Administrators' website shortly after this application is issued.
- 185.7 With respect to the CVA Companies, it is anticipated that the proposed CVAs will shortly be sent to all known creditors including all Unknown Expense Claim creditors (i.e. Tax Authorities and SNMP, but not, for example, to law firms which appear in the List of Accepted Expense Claims). Each of the CVAs will include a copy of the relevant Application and the draft order. The supporting evidence will not be provided in hard copy but will be available on the Joint Administrators' website and a link will be provided in the materials sent in hard copy with the proposed CVAs. Also included in the documents sent to the creditors of the CVA Companies will be a copy of the Demand Form, a copy of which appears in the schedule to the draft order.
- 185.8 With respect to Nortel Romania and Nortel Finland, a copy of the relevant Application and the draft order will be sent, with a cover letter and a copy of the Demand Form to the creditors' committee (only for Nortel Romania, since Nortel Finland does not have a creditors' committee) and all known Expense Claim creditors and other known or suspected creditors who may seek to assert Expense Claims (including, for example, SNMP and the local tax authority but excluding the Accepted Expense Claimants).
- 185.9 With respect to NNUK, a copy of the relevant Application and the draft order will be sent, with a cover letter and a copy of the Demand Form to the creditors' committee and all known Expense Claim creditors and other known or suspected creditors who may seek to assert Expense Claims (including, for example,

SNMP, Kapsch, HMRC, and the French Employees).

- 185.10 Following the hearing of the present Applications, and in the event that the Court is minded to grant the relief sought, the Joint Administrators propose then to write to potential expense creditors giving notice of the Bar Date in respect of Expense Claims in a form similar to the Explanatory Letter set out at Annex I of the draft order. It is proposed that the Explanatory Letter will also be placed on the Joint Administrators' website. It is also proposed that in relevant correspondence to creditors (for example, in the Implementation Letters sent to all CVA creditors) attention will be drawn to the Explanatory Letter and the relevant order, all of which will be made available on the website.
- 185.11 Following the hearing of the present Applications, and in the event that the Court is minded to grant the relief sought, the Joint Administrators anticipate taking steps to advertise the Bar Date in the newspapers in the countries identified above at paragraph 160 (or, if necessary, in equivalent publications), which are likely to represent the main countries in which the Companies traded and/or had a footprint.
- 185.12 The Joint Administrators intend to write to the French Employees, the relevant Tax Authorities, Kapsch and SNMP giving notice of the present Applications and, if the Court is minded to grant the relief, giving notice of the order. We have not written to them in relation to the Bar Date prior to our making the present Applications because it is intended that notice of these Applications be provided to all potential expense creditors (other than those on the List of Accepted Expense Claims) at around the same time as the materials in relation to the CVA are sent out. The Joint Administrators consider it preferable to send all materials to these creditors around the same time with an explanatory letter in order to minimise any potential confusion.
186. The Joint Administrators intend to update the Court prior to the hearing of the present Applications of any responses received from creditors.

D. NORTEL ROMANIA AND NORTEL FINLAND

(a) Part 10 Distribution

187. Liberty to promulgate CVAs in respect of Nortel Finland and Nortel Romania was granted by order of Mr Justice Snowden dated 23 July 2015 – provided at [3/16/909] of ARB17 (the "Promulgation Order"). The terms of the order were as follows: "*the Joint Administrators of the EMEA Companies apart from NNUK and Nortel Networks S.A. ("NNSA") be at liberty to promulgate company voluntary arrangements under the Act in substantially the terms set*

out in evidence filed by the Administrators".

188. On further consideration, and having reviewed the assets which are likely to be available for distribution and the third party creditor base in respect of Nortel Finland and Nortel Romania, the Joint Administrators consider that the estimated costs and expenses involved in proposing and managing CVAs for the Companies would be disproportionate. The Joint Administrators therefore consider that it would be in the interests of the creditors of those Companies for a distribution to be undertaken in accordance with Chapter 10 of Part 2 of the Insolvency Act 1986.
189. In the following paragraphs, I set out: (i) the rationale for the Joint Administrators' previous position that a distribution should be undertaken by way of a CVA; (ii) the steps taken by the Joint Administrators in respect of preparing a CVA; and (iii) the reasons why the Joint Administrators have re-evaluated the appropriateness of a CVA and now consider it in the interests of creditors to instead proceed by way of a formal proof process and distribution mechanism.

(i) The basis of the Promulgation Order

190. The Joint Administrators' position, until not long before the present Applications were issued, has been that a CVA is the appropriate mechanism by which to distribute to creditors of Nortel Romania and Nortel Finland.
191. In the administrators' statements of proposals dated February 2009 at paragraph E(3) of section 4 (Future Conduct of the Administration) the Joint Administrators stated that "*in order to make payments under local law to creditors whose claims as at 14 January 2009 remain unpaid, the Administrators may (after provision for or payment of the expenses of the administration) make proposals for approval by creditors for a company voluntary arrangement under Part 1 of the English Insolvency Act 1986 or a scheme of arrangement under section 899 of the English Companies Act 2006*".
192. The basis upon which the Promulgation Order was sought was set out in my eleventh witness statement dated 25 June 2015 ("**Bloom 11**") – provided at [4/18/920] of ARB17. The principal rationale for distributing to the Companies' creditors by way of CVA was for the purposes of permitting the Joint Administrators to comply with the terms of certain assurances that they had given in respect of respecting local law priorities. As the evidence before the Court explained, the Joint Administrators wished to avoid the opening of secondary proceedings in relation to (inter alia) Nortel Finland and Nortel Romania because of the potential serious consequences of uncoordinated insolvency filings under a variety of insolvency regimes on any global restructuring of the Nortel Group, which would ultimately reduce the value realised for creditors. Accordingly, to discourage the opening of secondary proceedings in the various local jurisdictions in question, the Joint Administrators of the Companies gave assurances substantially to the effect that creditors

would be in no worse position than they would be if the relevant company were subject to a secondary proceeding in the relevant jurisdiction. This was on the basis that the aim of secondary proceedings is to ensure that local creditors (where they would be treated more favourably under a local insolvency procedure) are not prejudiced by the opening of main proceedings in another jurisdiction (the "**Assurances**").

193. The Joint Administrators of the Companies considered it appropriate to do what they could to ensure that local creditors would not be prejudiced as a result of not having sought the opening of secondary proceedings. They considered that they should therefore honour those Assurances as far as they were able to do so and that it would be a proper exercise of their powers to do so. The Joint Administrators considered that it would be appropriate for them to take three steps to comply with the Assurances. These were as follows:
- 193.1 to determine which of the assets of the estate owned by the relevant Company when a secondary proceeding might otherwise have been opened were situated in the territory of the hypothetical secondary proceeding ("**Secondary Proceeding Assets**") and which were situated outside the territory of the hypothetical secondary proceedings (the "**Main Proceeding Assets**");
 - 193.2 to distribute the Sale Proceeds (and any other assets available for distribution) which are referable to Main Proceeding Assets in accordance with the priority of payments required by the Act and the 1986 Rules (as in force in January 2009); and
 - 193.3 to distribute the Sale Proceeds (and any other assets available for distribution) which are referable to Secondary Proceeding Assets in accordance with the law of the Member State in which the relevant EMEA Company had an establishment, which in essence would require the application of the priority of payments required by local insolvency laws. In that regard, different jurisdictions have different rules as to the characteristics of preferential creditors and the subordination of certain types of debt, particularly inter-company debt, which would not apply as a matter of English law.
194. The Joint Administrators of Nortel Romania and Nortel Finland considered that the most effective way to effect a distribution to creditors under, and in accordance with, local laws (and to thereby honour the Assurances given by the Joint Administrators) would be by the promulgation of a CVA. This was because the other ways to structure a distribution posed challenges, particularly because of the mandatory rules under Schedule B1. The Joint Administrators understood that in order for distributions to be made under paragraph 65(3) of Schedule B1, the process and the rules set out in Chapter 10 of the 1986 Rules would automatically be brought into play and various difficulties would arise. For example:

- 194.1 the *pari passu* rule would apply to the debts of all of those creditors of Nortel Finland and Nortel Romania which are non-preferential as a matter of English law regardless of the status of their claims under the law of the hypothetical secondary proceedings in Finland and Romania;
- 194.2 creditors of Nortel Finland and Nortel Romania who have preferential status as a matter of English law would receive priority in respect of all of the relevant company's assets whether or not those preferential rights would prevail in relation to assets subject to a hypothetical secondary proceeding elsewhere; and
- 194.3 creditors who would be subordinated under the law of the hypothetical secondary proceeding in Romania and Finland would not be subordinated as a matter of English law regardless of the status of their claims under the law of the hypothetical secondary proceedings in those jurisdictions.
195. As a result, the Joint Administrators understood that their wish to give effect to the assurances and to honour local law priorities would be complex to accommodate through the proof process per se and would likely be most effectively achieved via the promulgation of a CVA.

(ii) Steps taken by the Joint Administrators following the Promulgation Order

196. For completeness, I note that the following additional statements have also been made by the Joint Administrators of Nortel Romania and Nortel Finland with regard to CVAs being promulgated for those entities.
197. In my twelfth witness statement dated 9 November 2015 ("**Bloom 12**") I stated that "*the Joint Administrators are preparing the terms of a proposal for a CVA for each of the remaining Companies*" (paragraph 28.3) and that "*it is anticipated that the proposals for the CVAs will be sent to the creditors of the relevant Companies in early 2016*" (paragraph 30).
198. The Joint Administrators' Progress Reports for Nortel Finland and Nortel Romania stated at paragraph 4 that "*as previously reported, on 23 July 2015, the Joint Administrators received the permission of the English High Court of Justice to promulgate a Company Voluntary Arrangement ("CVA") in respect of the Company. The CVA will, amongst other things, establish a bar date for the filing of claims and a mechanism for making distributions to creditors. The Joint Administrators plan to provide appropriate information to creditors in respect of the CVA (which will be subject to creditors' approval) later in 2016*".
199. In Bloom 16, I stated that "*the Joint Administrators have determined that the appropriate process by which to determine the liabilities of those relevant Companies and effect a distribution to creditors under, and in accordance with, local laws (and to thereby honour assurances given by the Joint Administrators) will be by promulgating company voluntary arrangements in respect of each of the companies*" (paragraph 298) and "*The CVAs are*

currently being drafted and it is currently envisaged that, once the Global Settlement is effective, the CVAs will be promulgated in the first quarter of 2017" (paragraph 300).

200. The Joint Administrators provided an interim update to creditors of Nortel Finland and Nortel Romania on 11 November 2016 which stated that the distribution process would "involve the Joint Administrators proposing a Company Voluntary Arrangement ("CVA"), which is subject to creditors' approval and will, amongst other things, establish a bar date for the filing of claims and a mechanism for making distributions to creditors" – see page [7/42/1940] of ARB17.
201. The Promulgation Order does not oblige the Joint Administrators to promulgate CVAs for the Companies; rather it gives them liberty to do so. Given that the reasoning behind the CVA is based in giving effect to the Assurances, the Joint Administrators consider that their decision not to promulgate CVAs for these entities is likely to have no economic impact on the creditors because in any case they are likely to receive at or near 100p in the £. Therefore an alternative proposed mechanism for distribution to the Companies' creditors can be used to give effect to the Joint Administrators' Assurances.
202. Further, I note that Clause 6.1 of the UKPI Settlement Agreement obliges each CVA Target to propose a Commercial Interest CVA. This is not an issue for Nortel Finland and Nortel Romania on the basis they are not CVA Targets (since no FSD has been asserted against them) and as such there is no obligation in the UKPI Settlement Deed that the Companies propose CVAs – a copy of the UKPI Settlement Deed is provided at [7/44/1945] of ARB17.
- (iii) Why the Joint Administrators now consider a Part 10 distribution to be preferable**
203. As a result of the Settlement of the Allocation Dispute, proceeds of the sales of Nortel's business lines and intellectual property will be apportioned between the various Nortel Group companies. Of those proceeds:
- 203.1 Nortel Finland is expected to receive approximately US\$31,282; and
- 203.2 Nortel Romania is expected to receive approximately US\$353,402.
204. Once certain inter-company receipts and top-up payments have been made, the total assets available for distribution are estimated to be:
- 204.1 in the case of Nortel Finland, approximately US\$100,000; and
- 204.2 in the case of Nortel Romania, approximately US\$878,000.
205. As such, it is estimated that the third party (non-intragroup) creditors of both Companies may expect to recover at, or close to, 100p in the £ of their admitted pre-appointment claims. Neither Company anticipates a return of equity to shareholders.

206. A full breakdown of the assets, liabilities and creditors is set out in the estimated outcomes statement provided at [7/45/2003] of ARB17 (which was previously exhibited to Stephen John Harris' third witness statement dated 1 November 2016 ("Harris 3")).
207. On the basis of the estimates, the Joint Administrators consider that the estimated costs and expenses involved in holding creditors' and members' meetings to approve the CVA proposal and managing CVAs for the Companies would be disproportionate to the size of their respective estates and not in the best interests of creditors.
208. As I previously set out in Bloom 11, there are three alternative ways to structure any distribution.
209. The first possibility might be thought to be the opening now of local liquidation proceedings (i.e. secondary proceedings under the EC Regulation). In the opinion of the Joint Administrators, this would neither be cost efficient or timely. Indeed, given that in Romania and Finland there is no longer an "establishment" within the meaning of the EC Regulation, it is doubtful that secondary proceedings could, in fact, be commenced.
210. The second possibility is the commencement of a normal process of distribution pursuant to paragraph 65 of Schedule B1 and Chapter 10 of Part 2 of the 1986 Rules.
211. The third possibility is whether paragraph 66 of Schedule B1 could be used to effect payments to those who would have priority over the general unsecured creditors under the law which would have applied to the secondary proceedings in Finland and Romania. As I identified in Bloom 11, I understand from my legal advisers that payments under paragraph 66 were made in order to satisfy similar assurances given in other cases. However, I understand that although paragraph 66 provides a power by which administrators may make payments to creditors, it does not in and of itself set out a process for compelling creditors to submit their claims by any set date or for dealing with any disputed claims. This is therefore not an appropriate mechanism for distribution to Nortel Romania and Nortel Finland's creditors.
212. The Joint Administrators consider that it will be more cost effective to follow the second possibility, the usual distribution process set out in paragraph 65(3) of Schedule B1 to the Insolvency Act 1986 and Chapter 10 of Part 2 of the 1986 Rules or, if after 6 April 2017, Chapter 2 of Part 14 of the 2016 Rules.
213. Whereas the Joint Administrators considered at the time of Bloom 11 that the difficulties in Chapter 10 of the 1986 Rules rendered a distribution to the creditors of Nortel Finland and Nortel Romania challenging, given that the Companies are likely to pay 100p in the £, as set out in greater detail in Harris 3 (see pages [7/45/2003] of ARB17), these issues are unlikely to be of any practical importance. The issues surrounding preferential treatment of certain debts and subordination of other dates will likely have little or no economic impact

on the recoveries which are projected to be made by the creditors of those entities. If there is any economic impact on the recoveries to creditors, that impact is likely to be less than that resulting from the greater likely expense of the process of promulgating the CVAs. Therefore, the Joint Administrators consider it would now be preferable to proceed on the basis of a formal proof process and distribution mechanism. Provided that proper notice is provided to creditors, the Joint Administrators consider that no prejudice will be suffered by creditors of Nortel Finland and Nortel Romania. Indeed, the Joint Administrators consider that the creditors of those entities may prove to be better off because of the saved costs of the CVA process.

214. In addition, in the event that any creditor is prejudiced under the Part 10 Distribution, the Joint Administrators will retain discretion as to whether to make a payment under paragraph 66 of Schedule B1 to those creditors. The Joint Administrators currently consider that such a payment to ameliorate any financial disadvantage as against the likely outcome that there would have been under a CVA would be an appropriate use of that power. If there is any doubt in that respect, the Joint Administrators reserve the right to seek directions at the appropriate time, but it is not currently envisaged that they will do so.

(iv) Procedural issues in respect of the proposed Part 10 Distribution

215. In relation to a formal proof process, I understand that Rules 2.95(2) and 2.95(4) of the 1986 Rules set out the contents which are required to be included in the notice to distribute. The 1986 Rules require the notice to state:
- 215.1 whether the distribution is to preferential creditors or preferential creditors and unsecured creditors;
 - 215.2 whether the proposed dividend is interim or final;
 - 215.3 the value of the prescribed part (which is required to be made available for the satisfaction of unsecured creditors); and
 - 215.4 that it is the intention of the administrator to make a distribution to creditors within the period of 2 months from the last date of proving.
216. A copy of the proposed draft notice (the "Notice") is attached to the draft order at Annex IV and is replicated in Schedule V to this Statement. The Notice addresses each of the points it is required to under Rules 2.95(2) and 2.95(4) of the 1986 Rules. In particular it identifies the last date for proving as 9 October 2017, which the Joint Administrators consider gives sufficient time to creditors to submit their claims. In that respect, I note that the Joint Administrators obtained an order from Mr Registrar Nicholls on 18 May 2010 which permitted the commencement of an informal proof process with the intention that the Joint Administrators would seek to agree trading claims. No claims have been agreed or adjudicated for Nortel Finland or Nortel Romania at present.

217. On the assumption that the Court is minded to grant the Bar Date order sought, in accordance with the requirements of Rule 2.95(1) of the 1986 Rules, it is the Joint Administrators' intention to send a copy of the Notice to all creditors whose addresses are known to the Joint Administrators.
218. The Notice shall also be published in the Gazette and the Joint Administrators will also publish notice in the Financial Times, the Times and national newspapers in Finland and Romania, being Ziarul Financiar (in Romania) and Helsingin Sanomat and Virallinen Lehti (in Finland), or if the circumstances so require in equivalent publications of similar standing and circulation.
219. As discussed above, I understand from my legal advisers that Rule 2.95(4)(a) of the 1986 Rules requires the notice to *"state that it is the intention of the administrator to make a distribution to creditors within the period of 2 months from the last date for proving"*.
220. The Joint Administrators intend to reserve in full for any claim that becomes the subject of an application pursuant to Rule 2.78(1) of the 1986 Rules. In the interests of limiting the costs expended and the use of court time, the Joint Administrators seek the Court's permission, where there are proofs which are subject to appeals, to declare dividends in accordance with the approach outlined below. The Joint Administrators do not currently anticipate that any proofs will be subject to appeal in the administrations of Nortel Finland and Nortel Romania.
221. In respect of the declaration of dividends, the Joint Administrators propose to agree with any creditor bringing an application pursuant to Rule 2.78(1) a figure representing the full amount of that creditor's claim. Prior to declaring a dividend, the Joint Administrators will reserve in full for any such claims, in the sum agreed with the relevant creditor.
222. Where the Joint Administrators and the relevant creditor are unable to come to an agreement as to the full amount of the creditor's claim, the Joint Administrators will, prior to declaring the relevant dividend, return to seek the Court's permission pursuant to Rule 2.97(2) in the ordinary manner.
223. If the on-going permission sought pursuant to Rule 2.97(2) of the 1986 Rules is granted by the Court, this method of reserving in full will (in the Joint Administrators' view) ensure that no prejudice will be suffered by creditors who bring future applications pursuant to Rule 2.78(1), which are pending at the time a dividend is declared. At the same time, such on-going permission will also minimise costs.
224. Accordingly, the Joint Administrators seek permission pursuant to Rule 2.97(2) to declare dividends, notwithstanding that there may (at the relevant times) be pending applications to the Court to reverse or vary a decision of the Joint Administrators on a proof (or to expunge or reduce the amount claimed), on the basis that full provision will be made for any such

disputed proofs.

CONFIDENTIALITY

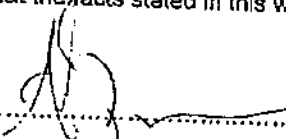
225. I would also respectfully request that, due to the confidentiality of the correspondence included in ARB17C (see paragraphs 92 and 131), the confidential exhibit to this statement is ordered not to be open to inspection without the prior leave of the Court pursuant to Rule 7.31(5) of the 1986 Rules.

CONCLUSION

226. For the reasons mentioned above, I respectfully request that this Honourable Court grants the relief sought at paragraphs 8 and 11 by the present Applications.

STATEMENT OF TRUTH

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



.....

ALAN ROBERT BLOOM

Date: 4 April 2017

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF:

NORTEL NETWORKS UK LIMITED	<u>No. 536 of 2009</u>
NORTEL GMBH	<u>No. 542 of 2009</u>
NORTEL NETWORKS NV	<u>No. 550 of 2009</u>
NORTEL NETWORKS S.P.A.	<u>No. 552 of 2009</u>
NORTEL NETWORKS BV	<u>No. 553 of 2009</u>
NORTEL NETWORKS POLSKA SP. Z.O.O.	<u>No. 554 of 2009</u>
NORTEL NETWORKS HISPANIA S.A.	<u>No. 535 of 2009</u>
NORTEL NETWORKS INTERNATIONAL FINANCE & HOLDINGS BV	<u>No. 549 of 2009</u>
NORTEL NETWORKS (AUSTRIA) GMBH	<u>No. 537 of 2009</u>
NORTEL NETWORKS SRO	<u>No. 538 of 2009</u>
NORTEL NETWORKS ENGINEERING SERVICE KFT	<u>No. 540 of 2009</u>
NORTEL NETWORKS PORTUGAL S.A. NORTEL	<u>No. 547 of 2009</u>
NETWORKS SLOVENSKO S.R.O. NORTEL	<u>No. 551 of 2009</u>
NETWORKS FRANCE SAS NORTEL NETWORKS AB	<u>No. 544 of 2009</u> <u>No. 548 of 2009</u>
NORTEL NETWORKS (IRELAND) LIMITED	<u>No. 541 of 2009</u>
NORTEL NETWORKS OY	<u>No. 545 of 2009</u>
NORTEL NETWORKS ROMANIA SRL	<u>No. 546 of 2009</u>

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

**SEVENTEENTH WITNESS STATEMENT OF
ALAN ROBERT BLOOM**

SCHEDULE I – EXPLANATORY LETTER

[EY letter headed paper]

To all known creditors

[•] 2017

Dear Sir / Madam

Re Nortel Networks UK Limited ("the Company") [*insert relevant Company*]

This letter requires you to take action if you consider that you have a claim for the payment of a debt or liability as an expense in the administration in the manner provided for under English law, including pursuant to any of paragraph 99 of Schedule B1 of the Insolvency Act 1986 or Rules 3.50 or 3.51 of the Insolvency (England & Wales) Rules 2016 (an "Expense Claim"), where such claim has not been agreed by the Administrators.

Nothing in this letter affects your pre-appointment claims (including as an unsecured creditor). This letter only relates to creditors who believe they have an Expense Claim. For all other claims, including unsecured claims, please contact the Joint Administrators. To the extent you have already lodged a proof of debt, that claim will not be impacted by the matters referred to in this letter.

We are writing to you in our capacity as Joint Administrators of the Company.

We refer to the notices published on the website www.emeanortel.com on [•] (the "Notice").

In the Notice, the Joint Administrators informed creditors that an application would be heard by Mr Justice Snowden in the High Court on 6 June 2017.

As referred to in the Notice, the Joint Administrators made an application for directions in relation to the proper distribution of the assets of the Company.

On [•] 2017 Mr Justice Snowden gave directions which, in summary, enable the Joint Administrators:

1. to pay:
 - 1.1 those Expense Claims which are accepted by the Joint Administrators in the ordinary course of the administration and are included on a list of accepted Expense Claims (the "List of Accepted Expense Claims"), which has now been uploaded on to the website www.emeanortel.com (and which is to be updated from time to time as required). A draft of the List of Accepted Expense Claims was set out in Schedule [] to Mr Alan Robert Bloom's seventeenth witness statement;
 - 1.2 any Expense Claim in respect of which a Demand Form is received by the Joint Administrators prior to the Bar Date (the Bar Date being whichever date is the later of (i) [13 September 2017] and (ii) 12 weeks after the date of receipt by the Joint

Administrators of the monies to which the Company is entitled under the terms of the global settlement which was sanctioned by the Court on 3 November 2016 (the "Global Settlement"), if and to the extent to that such Expense Claim is admitted by the Joint Administrators to be payable as an expense of the administration; and

- 1.3 any Expense Claim in respect of which a Demand Form is received by the Joint Administrators on or after the Bar Date (a "**Late Expense Claim**"), if and to the extent that such Late Expense Claim is admitted by the Joint Administrators to be payable as an expense of the administration, but without disturbing: (i) any distributions that have already been made (either to unsecured creditors or in respect of other Expense Claims); or (ii) any reserve already made in respect of any other (including any disputed) Expense Claim; and
2. to treat the balance of the assets of the Company, subject to such payments and/or reserve that they may have already made (see sub-paragraph (a) above), as thereafter being funds available for distribution to unsecured creditors.

If you consider you have an Expense Claim and it has not been included on the List of Accepted Expense Claims, you should send the Joint Administrators a completed Demand Form (enclosed), stating on what basis and in what amount you make that claim. Any Demand Form should be submitted as soon as possible and in any event it must be received by the Joint Administrators prior to the Bar Date, in default of which the Expense Claim shall be treated as a Late Expense Claim.

Please note that it is possible that any such Late Expense Claim will not be paid, subject to the Joint Administrators' qualified liberty to pay Late Expense Claims.

Yours faithfully

[•]

Joint Administrator

Enclosure

SCHEDULE II – EXPENSE DEMAND FORM

DEMAND FORM

Nortel [•] (in administration) (the "Company")

This Demand Form is for Expense Claims only.

Expense Claims are a specific category of claims arising under English Law. "Expense Claim" means any claim that ranks as an expense of the administration in the manner provided for under English law, including but not limited to:

- (a) paragraph 99 of Schedule B1 to the Insolvency Act 1986; and
- (b) Rules 3.50 and 3.51(2) of the Insolvency (England and Wales) Rules 2016.

Expense Claims may include, for example, any fees, costs, charges and other expenses incurred after 14 January 2009 and during the course of the administration. Expense Claims are payable out of the assets of the company before any payments to preferential creditors, unsecured creditors or members. A person asserting an Expense Claim is an "Expense Creditor".

You should seek independent legal advice if you are unclear on whether your claim is an Expense Claim.

As set out in the order of the English Court dated [•] 2017, if you consider that you have an Expense Claim against the Company, you must complete, sign and return this form to the Administrators so that it is received on or before [DATE] 2017. If your Demand Form is received after this date, it is possible that your Expense Claim will not be paid.

[For Companies other than NNUK, Nortel Finland or Nortel Romania] For all other claims, including unsecured claims which are dealt with under the terms of the Company's CVA, please complete the Claim Form provided by the Supervisors. Further information on the CVA (including a copy of the Claim Form) is available at <https://cva.emeanortel.com>.

[For NNUK, Nortel Finland and Nortel Romania only] For all other claims, including unsecured claims, please contact the Administrators. Further information is available at www.emeanortel.com.

Details of Expense Creditor

Name of Expense Creditor *(please give full legal name and company number if applicable)*

Contact name *(if different from above)*

Address of Expense Creditor *(if the Expense Creditor is a company, this should be the registered address)*

City

Country

Telephone

Email address

Expense Claim

Currency

Amount of Expense Claim *(please also state the amount of any tax or interest which is applicable)*

Details of Expense Claim *(please use a continuation sheet if necessary and attach any supporting documentation)*

Details of why your claim is an Expense Claim, rather than some other category of claim (such as a provable debt) under English law

I confirm that the information I have given in this Demand Form is true to the best of my knowledge and belief.

Signature

Date

Name in BLOCK LETTERS

Position with or relation to Expense Creditor

**Address of person signing (if different from
above)**

Please return this signed Demand Form to the Administrators by email to claims@emeanortel.com or by post to the below address, in each case so that it is received on or before [●] 2017.

The Administrators of Nortel [●] (in administration)
Nortel Networks
PO Box 4725
Maidenhead
SL60 1HN
United Kingdom

If you wish to deliver this Demand Form by hand please contact the Administrators by phone or email for separate address details.

For an Expense Claim to be valid, this Demand Form must be signed by the person asserting the Expense Claim or by a person authorised to act on his behalf.

Supporting documentation does not need to be provided with this form but the Administrators may require you in future to provide any information necessary to substantiate your Expense Claim.

It is possible that you will not receive a payment for an Expense Claim if your Demand Form is received by the Administrators after [●] 2017.

For questions relating to completion of this Demand Form, you may call +44 (0)20 7951 6160 or send an email to claims@emea.nortel.com.

SCHEDULE III – ADVERTISEMENT

IN THE HIGH COURT OF JUSTICE

NO. [●] OF 2009

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF:

NORTEL [●] (IN ADMINISTRATION)

AND

IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE OF EXPENSE CLAIM BAR DATE PURSUANT TO ORDER DATED [●] 2017

TO: ALL EXPENSE CREDITORS

[DATE]

Notice is hereby given by Alan Robert Bloom, Stephen John Harris, Alan Michael Hudson and Christopher John Wilkinson Hill of Ernst & Young LLP (the "**Joint Administrators**") of an order of Mr Justice Snowden dated [●] 2017, the effect of which is that persons considering that they have a claim for the payment of a debt or liability as an expense in the administration (an "**Expense Claim**") which has not been agreed by the Joint Administrators, such persons should send the Joint Administrators a completed Demand Form.

For further information, contact details and Demand Forms, please visit www.emeanortel.com.

Any Demand Form should be submitted to the Joint Administrators as soon as possible and in any event it must be received by the Joint Administrators prior to [●] 2017, in default of which the Expense Claim shall be treated as a Late Expense Claim. Please note that it is possible that any such Late Expense Claim will not be paid, subject to the Joint Administrators' qualified liberty to pay Late Expense Claims. Certain Expense Claim creditors are not required to file a Demand Form. The list of those creditors who are not affected by the terms of the order is provided on www.emeanortel.com.

Demand Forms should be submitted, together with relevant supporting documents to The Administrators of Nortel [●] (in administration), Nortel Networks, PO Box 4725, Maidenhead, SL60

1HN, United Kingdom. Alternatively, you can email a completed Demand Form to claims@emeanortel.com.

SCHEDULE IV – DRAFT LIST OF ACCEPTED EXPENSE CLAIMS

Part 1: Claims or obligations arising out of the provision of employment, property, goods or services (the scope of which is set out in Column 3), which have been or will be rendered in the ordinary course of business by the Payee (in Column 2) to the relevant Nortel entity (in Column 1), to the extent they have been or will be accepted as Expense Claims by the Joint Administrators.

Part 2: Obligations owed under the agreements, arrangements or assurances (in Column 3) by the relevant Nortel entity (in Column 1) to the relevant Payee (in Column 2), to the extent that they have been or will be accepted as Expense Claims by the Joint Administrators.

Updates to this list: This list, which will be uploaded to the Joint Administrators' website, will be updated from time to time to reflect: (a) any Expense Claims that the Joint Administrators agree or propose to agree with additional payees; and (b) any further obligations owed to existing payees which the Joint Administrators accept as Expense Claims.

	Nortel entity	Payee	Scope
PART 1			
Nortel Germany			
1.	Nortel GmbH	BDSG germany GmbH	Storage Costs
2.	Nortel GmbH	EDV-Sachverst.Büro Peter Moos	IT Costs
3.	Nortel GmbH	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
4.	Nortel GmbH	Gleiss Lutz	Legal Fees
5.	Nortel GmbH	Noerr LLP	Legal Fees
6.	Nortel GmbH	Stefan Hofmann Steuerberatung	Accounting Fees
7.	Nortel GmbH	Tanja Spieler Personalman	HR Costs
8.	Nortel GmbH	Herbert Smith Freehills	Legal Fees
9.	Nortel GmbH	Baker & McKenzie	Legal Fees

	Originator	Payer	Scope
10.	Nortel GmbH	VRG HR GmbH	HR Costs
11.	Nortel GmbH	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
12.	Nortel GmbH	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
13.	Nortel GmbH	Bank of Scotland plc Barclays Bank plc Deutsche Bank HSBC The Royal Bank of Scotland plc	Bank charges
14.	Nortel GmbH	Creditors Committee	Committee Fees
15.	Nortel GmbH	Notary	Notary Fees
16.	Nortel GmbH	Nortel Networks (Ireland) Limited	Management recharge
Nortel Austria			
17.	Nortel Networks (Austria) GmbH	BDO Austria GmbH	Accounting Fees
18.	Nortel Networks (Austria) GmbH	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
19.	Nortel Networks (Austria) GmbH	Herbert Smith Freehills	Legal Fees
20.	Nortel Networks (Austria) GmbH	Regus	Office Rent

	Vendor name	Payee	Scope
21.	Nortel Networks (Austria) GmbH	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
22.	Nortel Networks (Austria) GmbH	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
23.	Nortel Networks (Austria) GmbH	The Royal Bank of Scotland plc Unicredit Bank Austria	Bank charges
24.	Nortel Networks (Austria) GmbH	Creditors Committee	Committee Fees
25.	Nortel Networks (Austria) GmbH	Notary	Notary Fees
26.	Nortel Networks (Austria) GmbH	Nortel Networks (Ireland) Limited	Management recharge
Nortel Ireland			
27.	Nortel Networks (Ireland) Limited	Christensen Kjaerulff	Tax Fees
28.	Nortel Networks (Ireland) Limited	Staples Advantage Limited	Office Costs
29.	Nortel Networks (Ireland) Limited	Deloitte & Touche	Tax & Pension Audit Fees
30.	Nortel Networks (Ireland) Limited	Denis Mahony Contract Rentals Ltd	Car Lease
31.	Nortel Networks (Ireland) Limited	DHKN	Company Secretarial Fees
32.	Nortel Networks (Ireland) Limited	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the

	Company	Payee	Service
			Administration
33.	Nortel Networks (Ireland) Limited	Ernst & Young	Consultancy
34.	Nortel Networks (Ireland) Limited	Electric Ireland	Office Costs
35.	Nortel Networks (Ireland) Limited	Galway City Council	Office Costs
36.	Nortel Networks (Ireland) Limited	Galway Technology Centre	Office Rent
37.	Nortel Networks (Ireland) Limited	Herbert Smith Freehills	Legal Fees
38.	Nortel Networks (Ireland) Limited	Irish Life Assurance	Pensions and Life Assurance
39.	Nortel Networks (Ireland) Limited	Irish Pension Trust	Pension
40.	Nortel Networks (Ireland) Limited	Marsh Ireland Limited	Insurance
41.	Nortel Networks (Ireland) Limited	Mercer Ireland Ltd	Pension
42.	Nortel Networks (Ireland) Limited	Oasis Group	Storage Costs
43.	Nortel Networks (Ireland) Limited	SD Worx Ireland Limited	Payroll
44.	Nortel Networks (Ireland) Limited	TNT Express Ireland Ltd	Courier
45.	Nortel Networks (Ireland) Limited	William Fry Solicitors	Legal Fees

	Debtor	Creditor	Group
46.	Nortel Networks (Ireland) Limited	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
47.	Nortel Networks (Ireland) Limited	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
48.	Nortel Networks (Ireland) Limited	Current Employees	Staff Costs
49.	Nortel Networks (Ireland) Limited	Revenue Commissioners	Staff Costs
50.	Nortel Networks (Ireland) Limited	KBI	Staff Costs
51.	Nortel Networks (Ireland) Limited	Allied Irish Bank Bank of Scotland plc Barclays Bank plc Citibank Europe plc – Ireland Citibank NA London Handelsbanken HSBC The Royal Bank of Scotland plc	Bank charges
52.	Nortel Networks (Ireland) Limited	Creditors Committee	Committee Fees
53.	Nortel Networks (Ireland) Limited	Notary	Notary Fees
54.	Nortel Networks (Ireland) Limited	M.J. Flood Office Supplies	Photocopier supplier

	Norwegian	Payee	Scope
55.	Nortel Networks (Ireland) Limited	Topaz fuel card services	Company car fuel card
Nortel Sweden			
56.	Nortel Networks AB	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
57.	Nortel Networks AB	BDO Malardalen AB	Accounting Fees
58.	Nortel Networks AB	Herbert Smith Freehills	Legal Fees
59.	Nortel Networks AB	June Express AB	Storage Costs
60.	Nortel Networks AB	BDO Statsautoriseret ab	Accounting Fees
61.	Nortel Networks AB	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
62.	Nortel Networks AB	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
63.	Nortel Networks AB	Svenska Handelsbanken The Royal Bank of Scotland plc Citibank Europe plc	Bank charges
64.	Nortel Networks AB	Creditors Committee	Committee Fees
65.	Nortel Networks AB	Notary	Notary Fees
66.	Nortel Networks AB	Nortel Networks (Ireland) Limited	Management recharge
67.	Nortel Networks B.V.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration

	Nortel Entity	Payee	Scope
Nortel Netherlands			
68.	Nortel Networks B.V.	Blok & van den Boogaard RA	Accounting Fees
69.	Nortel Networks B.V.	KPMG Audit	Accounting Fees
70.	Nortel Networks B.V.	Herbert Smith Freehills	Legal Fees
71.	Nortel Networks B.V.	Pot & Stoop Advocaten	Legal Fees
72.	Nortel Networks B.V.	Regus Amsterdam BV	Office Rent
73.	Nortel Networks B.V.	Iron Mountain BV	Storage Costs
74.	Nortel Networks B.V.	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
75.	Nortel Networks B.V.	Nortel Networks UK Limited	Management fees and Allocation- related legal Fees
76.	Nortel Networks B.V.	Barclays Bank plc Citibank NA London HSBC ING Bank The Royal Bank of Scotland plc	Bank charges
77.	Nortel Networks B.V.	Creditors Committee	Committee Fees
78.	Nortel Networks B.V.	Notary	Notary Fees
79.	Nortel Networks B.V.	Nortel Networks (Ireland) Limited	Management recharge
Nortel Hungary			

	Nortel		Payee	Scope
80.	Engineering Kft	Networks Service	Bán, S. Szabó & Partners Ügyvédi Iroda	Legal Fees
81.	Engineering Kft	Networks Service	BDO	Accounting Fees
82.	Engineering Kft	Networks Service	Ernst & Young	Joint Administrators' costs - fees and disbursements relating to the Administration
83.	Engineering Kft	Networks Service	Dr. Trauner Gabor ügyved	Legal Fees
84.	Engineering Kft	Networks Service	Herbert Smith Freehills	Legal Fees
85.	Engineering Kft	Networks Service	E-Audit	Office Rent
86.	Engineering Kft	Networks Service	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
87.	Engineering Kft	Networks Service	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
88.	Engineering Kft	Networks Service	KPMG Hungaria Kft.	Accounting Fees
89.	Engineering Kft	Networks Service	Citibank Budapest The Royal Bank of	Bank charges

	Beneficiary	Payer	Source
	Kft	Scotland plc	
90.	Nortel Networks Engineering Service Kft	Notary	Notary Fees
91.	Nortel Networks Engineering Service Kft	Nortel Networks (Ireland) Limited	Management recharge
92.	Nortel Networks Engineering Service Kft	Nortel Networks International Finance & Holding B.V.	Post appointment loan repayment
Nortel France SAS			
93.	Nortel Networks France S.A.S.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
94.	Nortel Networks France S.A.S.	Herbert Smith Freehills	Legal Fees
95.	Nortel Networks France S.A.S.	DENALZU S.L.	Accounting Fees
96.	Nortel Networks France S.A.S.	LA GARANDERIE societe d'avocats	Legal Fees
97.	Nortel Networks France S.A.S.	Centre D'Affaires Parc Des Lumieres	Office Rent
98.	Nortel Networks France S.A.S.	E&Y France	Joint Administrators' costs – fees and disbursements relating to the Administration
99.	Nortel Networks France S.A.S.	Locarchives	Storage Costs
100.	Nortel Networks	FTPA	Legal Fees

	Not a entity	Payee	Stage
	France S.A.S.		
101.	Nortel Networks France S.A.S.	KPMG	Accounting Fees
102.	Nortel Networks France S.A.S.	LA FONCIERE	Office Rent
103.	Nortel Networks France S.A.S.	David Shearer Interprete de Conference	Legal Fees
104.	Nortel Networks France S.A.S.	M. Rogeau	Legal Fees
105.	Nortel Networks France S.A.S.	Kerry Trigg	Consultancy
106.	Nortel Networks France S.A.S.	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
107.	Nortel Networks France S.A.S.	Nortel Networks UK Limited	Management fees and Allocation- related legal Fees
108.	Nortel Networks France S.A.S.	Bank of Scotland plc Barclays Bank plc HSBC The Royal Bank of Scotland plc	Bank charges
109.	Nortel Networks France S.A.S.	Creditors Committee	Committee Fees
110.	Nortel Networks France S.A.S.	Notary	Notary Fees
111.	Nortel Networks France S.A.S.	Nortel Networks (Ireland) Limited	Management recharge

	Company	Payee	Scope
Nortel Spain			
112.	Nortel Networks Hispania S.A.	J&A Garrigues, S.L.P.	Legal Fees
113.	Nortel Networks Hispania S.A.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
114.	Nortel Networks Hispania S.A.	DHL Express Madrid Spain SI	Courier
115.	Nortel Networks Hispania S.A.	CUATRECASAS GONCALVES Pereira	Legal Fees
116.	Nortel Networks Hispania S.A.	Databox S.L.	Storage Costs
117.	Nortel Networks Hispania S.A.	REGISTRO MERCANTIL DE MADRID	Legal Fees
118.	Nortel Networks Hispania S.A.	SERVICIOS GENERALES DE GESTION SL	Accounting Fees
119.	Nortel Networks Hispania S.A.	DENALZU S.L.	Accounting Fees
120.	Nortel Networks Hispania S.A.	Herbert Smith Freehills	Legal Fees
121.	Nortel Networks Hispania S.A.	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
122.	Nortel Networks Hispania S.A.	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
123.	Nortel Networks	Bank of Scotland plc	Bank charges

	Company	Payee	Scope
	Hispania S.A.	Barclays Bank plc Citibank Europe plc HSBC The Royal Bank of Scotland plc	
124.	Nortel Networks Hispania S.A.	Creditors Committee	Committee Fees
125.	Nortel Networks Hispania S.A.	Notary	Notary Fees
126.	Nortel Networks Hispania S.A.	Nortel Networks (Ireland) Limited	Management recharge
NNIF			
127.	Nortel Networks International Finance & Holding B.V.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
128.	Nortel Networks International Finance & Holding B.V.	Ernst & Young	Liquidation Fees
129.	Nortel Networks International Finance & Holding B.V.	Blok & van den Boogaard RA	Accounting Fees
130.	Nortel Networks International Finance & Holding B.V.	KPMG Audit	Accounting Fees
131.	Nortel Networks International Finance & Holding B.V.	Herbert Smith Freehills	Legal Fees
132.	Nortel Networks	Nortel Networks UK	Management fees and Allocation-

	Notial entity	Paysa	Scope
	International Finance & Holding B.V.	Limited	related legal Fees
133.	Nortel Networks International Finance & Holding B.V.	Notary	Notary Fees
134.	Nortel Networks International Finance & Holding B.V.	Nortel Networks (Ireland) Limited	Management recharge
135.	Nortel Networks International Finance & Holding B.V.	Stephen Sanderson	Consultancy Fees
136.	Nortel Networks International Finance & Holding B.V.	Bank of Scotland plc Barclays Bank plc Citibank NA London Santander The Royal Bank of Scotland plc	Bank charges
137.	Nortel Networks International Finance & Holding B.V.	Pot & Stoop Advocaten	Legal Fees
Nortel Belgium			
138.	Nortel Networks N.V.	BDO Accountants Burg. Ven. CVBA	Accounting Fees
139.	Nortel Networks N.V.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
140.	Nortel Networks N.V.	Herbert Smith Freehills	Legal Fees
141.	Nortel Networks N.V.	Merak n.v./s.a.	Storage Costs

	Northern	Payee	Scope
142.	Nortel Networks N.V.	Regus Belgium NV	Office rent
143.	Nortel Networks N.V.	Stibbe Lawyers	Legal Fees
144.	Nortel Networks N.V.	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
145.	Nortel Networks N.V.	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees and 2010 Transfer Pricing Adjustment charges
146.	Nortel Networks N.V.	Barclays Bank plc Citibank NA London The Royal Bank of Scotland plc	Bank charges
147.	Nortel Networks N.V.	Creditors Committee	Committee Fees
148.	Nortel Networks N.V.	Notary	Notary Fees
149.	Nortel Networks N.V.	Nortel Networks (Ireland) Limited	Management recharge
Nortel Finland			
150.	Nortel Networks Oy	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
151.	Nortel Networks Oy	Herbert Smith Freehills	Legal Fees
152.	Nortel Networks Oy	HH Partners Oy	Legal Fees
153.	Nortel Networks Oy	BDO Oy	Accounting Fees
154.	Nortel Networks Oy	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees

	Notability	Payee	Scope
155.	Nortel Networks Oy	Svenska Handelsbanken The Royal Bank of Scotland	Bank charges
156.	Nortel Networks Oy	Notary	Notary Fees
157.	Nortel Networks Oy	Nortel Networks (Ireland) Limited	Management recharge
158.	Nortel Networks Oy	Nortel Networks International Finance & Holding B.V.	Post appointment loan repayment
Nortel Poland			
159.	Nortel Networks Polska Sp. z.o.o.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
160.	Nortel Networks Polska Sp. z.o.o.	Pietrzak Siekierzynski Bogen	Legal Fees
161.	Nortel Networks Polska Sp. z.o.o.	OFFICE DEPOT POLAND SP.Z O.O.	Office costs
162.	Nortel Networks Polska Sp. z.o.o.	REGUS Management Sp. Zoo	Office rent
163.	Nortel Networks Polska Sp. z.o.o.	MEDICOVER SP.ZO.O.	Insurance
164.	Nortel Networks Polska Sp. z.o.o.	TMF POLAND SP. ZO.O.	Payroll
165.	Nortel Networks Polska Sp. z.o.o.	Herbert Smith Freehills	Legal Fees
166.	Nortel Networks Polska Sp. z.o.o.	Nortel Networks International Finance &	Professional Charges – FSD costs and CVA costs

	Entity	Payee	Scope
		Holding B.V.	
167.	Nortel Networks Polska Sp. z.o.o.	Nortel Networks UK Limited	Management fees and Allocation- related legal Fees
168.	Nortel Networks Polska Sp. z.o.o.	Current Employees	Staff Costs
169.	Nortel Networks Polska Sp. z.o.o.	Zaklad Ubezpieczen Spolecznych w Warszawie	Staff Costs
170.	Nortel Networks Polska Sp. z.o.o.	Pierwszy Mazowiecki US Warszawa	Staff Costs
171.	Nortel Networks Polska Sp. z.o.o.	Bank of Scotland plc Barclays Bank plc Citibank Warsaw HSBC The Royal Bank of Scotland plc	Bank charges
172.	Nortel Networks Polska Sp. z.o.o.	Creditors Committee	Committee Fees
173.	Nortel Networks Polska Sp. z.o.o.	Notary	Notary Fees
174.	Nortel Networks Polska Sp. z.o.o.	Nortel Networks (Ireland) Limited	Management recharge
Nortel Portugal			
175.	Nortel Networks Portugal S.A.	CUATRECASAS GONCALVES Pereira	Legal Fees
176.	Nortel Networks Portugal S.A.	GADSA ARQUIVO E DEPOSITO	Storage Costs

	Nortel entity		Payee	Scope
177.	Nortel Portugal S.A.	Networks	MAZARS SERVICOS PARA GEST	Accounting Fees
178.	Nortel Portugal S.A.	Networks	KPMG & ASSOCIADOS SOCIEDA	Accounting Fees
179.	Nortel Portugal S.A.	Networks	DENALZU S.L.	Accounting Fees
180.	Nortel Portugal S.A.	Networks	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
181.	Nortel Portugal S.A.	Networks	Herbert Smith Freehills	Legal Fees
182.	Nortel Portugal S.A.	Networks	MONERIS - SERVIÇOS DE GESTÃO, SA	Tax Fees
183.	Nortel Portugal S.A.	Networks	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
184.	Nortel Portugal S.A.	Networks	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
185.	Nortel Portugal S.A.	Networks	Barclays Bank plc The Royal Bank of Scotland plc Citibank Europe plc Citibank NA London	Bank charges
186.	Nortel Portugal S.A.	Networks	Creditors Committee	Committee Fees
187.	Nortel Portugal S.A.	Networks	Notary	Notary Fees

	Debtor Party	Payer	Scope
188.	Nortel Networks Portugal S.A.	Nortel Networks (Ireland) Limited	Management recharge
Nortel Romania			
189.	Nortel Networks Romania SRL	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
190.	Nortel Networks Romania SRL	Herbert Smith Freehills	Legal Fees
191.	Nortel Networks Romania SRL	BDO Audit SRL	Accounting Fees
192.	Nortel Networks Romania SRL	REGUS FLOREASCA INTERNATIONAL	Office Rent
193.	Nortel Networks Romania SRL	Tudor, Andrei si Asociatii	Legal Fees
194.	Nortel Networks Romania SRL	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
195.	Nortel Networks Romania SRL	Citibank Bucharest The Royal Bank of Scotland plc	Bank charges
196.	Nortel Networks Romania SRL	Creditors Committee	Committee Fees
197.	Nortel Networks Romania SRL	Notary	Notary Fees
198.	Nortel Networks Romania SRL	Nortel Networks (Ireland) Limited	Management recharge
199.	Nortel Networks Romania SRL	Nortel Networks International Finance &	Post appointment loan repayment

	Nortel entity	Payee	Scope
		Holding B.V.	
Nortel Italy			
200.	Nortel Networks S.p.A	STUDIO ASSOCIATO CARAMANTI TICOZZI & PARTNERS	Tax Fees
201.	Nortel Networks S.p.A	NC PROGRAMS SRL	Storage Costs
202.	Nortel Networks S.p.A	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
203.	Nortel Networks S.p.A	Herbert Smith Freehills	Legal Fees
204.	Nortel Networks S.p.A	DENALZU S.L.	Accounting Fees
205.	Nortel Networks S.p.A	GREGORI OSCAR	Legal Fees
206.	Nortel Networks S.p.A	KPMG SPA	Accounting Fees
207.	Nortel Networks S.p.A	MACCHI DI CELLERE GANGEMI STUDIO LEGALE	Legal Fees
208.	Nortel Networks S.p.A	REGUS BUSINESS CENTERS ITALIA SRL	Office Rent
209.	Nortel Networks S.p.A	ROSSI STEFANIA	Legal Fees
210.	Nortel Networks S.p.A	STUDIO TRIBUTARIO E SOCIETARIO	Legal Fees
211.	Nortel Networks S.p.A	TREMONTI VITALI ROMAGNOLI PICCARDI E ASSOCIATI	Tax Fees
212.	Nortel Networks S.p.A	Avvocato Lino Maestrello	Legal Fees

	Beneficiary	Payee	Scope
213.	Nortel Networks S.p.A	CBM & Partners studio Legale	Legal Fees
214.	Nortel Networks S.p.A	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
215.	Nortel Networks S.p.A	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
216.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
217.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
218.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
219.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
220.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
221.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
222.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
223.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
224.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
225.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee

	Notoriety	Pages	Scope
226.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
227.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
228.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
229.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
230.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
231.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
232.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
233.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
234.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
235.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
236.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
237.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
238.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee

	Nortel entity	Payee	Steps
239.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
240.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
241.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
242.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
243.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
244.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
245.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
246.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
247.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
248.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
249.	Nortel Networks S.p.A	Ex-employee of Nortel Networks SpA	Settlement with ex-employee
250.	Nortel Networks S.p.A	Barclays Bank plc Citibank NA London Citibank NA Milan Intesa Sanpaolo SPA The Royal Bank of Scotland	Bank charges

	Nortel entity	Provider	Service
		plc	
251.	Nortel Networks S.p.A	Creditors Committee	Committee Fees
252.	Nortel Networks S.p.A	Notary	Notary Fees
253.	Nortel Networks S.p.A	Nortel Networks (Ireland) Limited	Management recharge
Nortel Czech Republic			
254.	Nortel Networks s.r.o	Ernst & Young	Joint Administrators' costs - fees and disbursements relating to the Administration
255.	Nortel Networks s.r.o	United Parcel Service	Storage Costs
256.	Nortel Networks s.r.o	CS Immobilien a.s.	Office Rent
257.	Nortel Networks s.r.o	BDO Učetnictví sro	Accounting Fees
258.	Nortel Networks s.r.o	Herbert Smith Freehills	Legal Fees
259.	Nortel Networks s.r.o	Nortel Networks International Finance & Holding B.V.	Professional Charges – FSD costs and CVA costs
260.	Nortel Networks s.r.o	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
261.	Nortel Networks s.r.o	Citibank Prague HSBC The Royal Bank of Scotland plc	Bank charges
262.	Nortel Networks s.r.o	Creditors Committee	Committee Fees
263.	Nortel Networks s.r.o	Notary	Notary Fees
264.	Nortel Networks s.r.o	Nortel Networks (Ireland)	Management recharge

	Beneficiary	Payee	Scope
		Limited	
Nortel Slovakia			
265.	Nortel Networks Slovensko, s.r.o.	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
266.	Nortel Networks Slovensko, s.r.o.	Alpha Audit s.r.o.	Accounting Fees
267.	Nortel Networks Slovensko, s.r.o.	Herbert Smith Freehills	Legal Fees
268.	Nortel Networks Slovensko, s.r.o.	Nortel Networks UK Limited	Management fees and Allocation-related legal Fees
269.	Nortel Networks Slovensko, s.r.o.	Nortel Networks International Finance & Holding B.V.	Professional Charges - FSD costs and CVA costs
270.	Nortel Networks Slovensko, s.r.o.	Citibank Bratislava The Royal Bank of Scotland plc	Bank charges
271.	Nortel Networks Slovensko, s.r.o.	Creditors Committee	Committee Fees
272.	Nortel Networks Slovensko, s.r.o.	Notary	Notary Fees
273.	Nortel Networks Slovensko, s.r.o.	Nortel Networks (Ireland) Limited	Management recharge
NNUK			
274.	Nortel Networks UK Limited	Marsh Ltd	Insurance

	Notable entity	Payee	Source
275.	Nortel Networks UK Limited	Chase de Vere	Pension
276.	Nortel Networks UK Limited	Stephen Finn LLB Notary Public	Legal Fees
277.	Nortel Networks UK Limited	Skype Communications SARM	IT Costs
278.	Nortel Networks UK Limited	Willis Limited	Insurance
279.	Nortel Networks UK Limited	Debevoise & Plimpton LLP- London	Legal Fees
280.	Nortel Networks UK Limited	Debevoise & Plimpton LLP- New York	Legal Fees
281.	Nortel Networks UK Limited	Reed Smith LLP	Legal Fees
282.	Nortel Networks UK Limited	Thompsons NI Solicitors	Legal Fees
283.	Nortel Networks UK Limited	Davies Ward Phillips & Vineberg LLP	Legal Fees
284.	Nortel Networks UK Limited	Mr Philip Shandro	Legal Fees
285.	Nortel Networks UK Limited	BAND Systems Limited	IT Costs
286.	Nortel Networks UK Limited	British Telecom plc	Office costs
287.	Nortel Networks UK Limited	Royal Borough of Windsor and Maidenhead	Office Costs

	Nortel Networks UK Limited			Payee	Scope
288.	Nortel Networks UK Limited	Networks	UK	Lax O'Sullivan Scott Lisus LLP	Legal Fees
289.	Nortel Networks UK Limited	Networks	UK	Hughes Hubbard & Reed LLP	Legal Fees
290.	Nortel Networks UK Limited	Networks	UK	Herbert Smith Freehills	Legal Fees
291.	Nortel Networks UK Limited	Networks	UK	Young Conaway Stargatt & Taylor LLP	Legal Fees
292.	Nortel Networks UK Limited	Networks	UK	Ernst & Young	Joint Administrators' costs – fees and disbursements relating to the Administration
293.	Nortel Networks UK Limited	Networks	UK	Securitas Security Services Ltd	Office costs
294.	Nortel Networks UK Limited	Networks	UK	Bishop Fleming Payroll Services Ltd	Payroll
295.	Nortel Networks UK Limited	Networks	UK	IFS Global Logistic	Storage Costs
296.	Nortel Networks UK Limited	Networks	UK	TNT UK Limited	Storage Costs
297.	Nortel Networks UK Limited	Networks	UK	Southern Electric	Office costs
298.	Nortel Networks UK Limited	Networks	UK	Zensar Technologies	IT Costs
299.	Nortel Networks UK Limited	Networks	UK	Iron Mountain Belfast	Storage Costs
300.	Nortel Networks UK Limited	Networks	UK	TNT Express UK	Storage Costs

	Host/Entity	Payee	Scope
301.	Nortel Networks UK Limited	DENALZU S.L.	Accounting Fees
302.	Nortel Networks UK Limited	Canada Life	Insurance
303.	Nortel Networks UK Limited	Datel Computing Limited	IT Costs
304.	Nortel Networks UK Limited	Embersoft Inc	IT Costs
305.	Nortel Networks UK Limited	Datel Advansys Limited	IT Costs
306.	Nortel Networks UK Limited	Velta international Ltd.	IT Costs
307.	Nortel Networks UK Limited	BDO Stoy Hayward LLP	Accounting Fees
308.	Nortel Networks UK Limited	Tinubu Associates Unlimited	Legal Fees
309.	Nortel Networks UK Limited	Jaggard Baker LLP	Office Rent
310.	Nortel Networks UK Limited	Complete Janitorial Services supplies Ltd.	Office costs
311.	Nortel Networks UK Limited	RAPIDGEN SOFTWARE LTD.	IT Costs
312.	Nortel Networks UK Limited	Newcmi Ltd	IT Costs
313.	Nortel Networks UK Limited	Iron Mountain (UK) Ltd formally Recall	Storage Costs

	Nortel entity		Payee	Scope
314.	Nortel Networks Limited	UK	MJF Business Services Ltd.	Office Costs
315.	Nortel Networks Limited	UK	Iron Mountain (UK) Ltd	Storage Costs
316.	Nortel Networks Limited	UK	Ricoh UK Ltd	Office costs
317.	Nortel Networks Limited	UK	MSG Interiors Ltd	Office costs
318.	Nortel Networks Limited	UK	West UC Ltd (formerly Intercall Conferencing Services Ltd	IT Costs
319.	Nortel Networks Limited	UK	Current Employees	Staff Costs
320.	Nortel Networks Limited	UK	HMRC	Staff Costs
321.	Nortel Networks Limited	UK	Prudential	Staff Costs
322.	Nortel Networks Limited	UK	Bank of Scotland plc Barclays Bank plc Citibank NA London HSBC Santander The Royal Bank of Scotland plc	Bank charges
323.	Nortel Networks Limited	UK	Creditors Committee	Committee Fees
324.	Nortel Networks Limited	UK	Notary	Notary Fees

	Nortel entity	Payee	Steps
	Limited		
325.	Nortel Networks UK Limited	Nortel Networks (Ireland) Limited	Management recharge
326.	Nortel Networks UK Limited	Al-Boyounk Chartered Accountants	Liquidation Fees
327.	Nortel Networks UK Limited	Nortel Networks UK Pension Trust	VAT

	Nortel entity	Payee	Agreement/Arrangement/Reference
PART 2			
328.	Nortel Networks UK Limited	Nortel Networks Limited (Canada)	Fees, costs and expenses associated with provision of records assistance set out in the Records Assistance Side Letter dated 12 October 2016
329.	Nortel Networks UK Limited	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
330.	Nortel Networks UK Limited	Other EMEA Debtors	Payment of allocated remuneration and fees pursuant to Clause 7.1 and Schedule 2 of UKPI Settlement Deed
331.	Nortel Networks UK Limited	Nortel Networks N.V.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
332.	Nortel Networks UK Limited	Nortel Networks, s.r.o.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
333.	Nortel Networks UK Limited	Nortel Networks S.p.A.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the

	Non-Entity	Payor	Agreement/Arrangement/Assurances
			Assurances
334.	Nortel Networks UK Limited	Nortel Networks Engineering Service Kft.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
335.	Nortel Networks UK Limited	Nortel Networks B.V.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
336.	Nortel Networks UK Limited	Nortel Networks Portugal S.A.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
337.	Nortel Networks UK Limited	Nortel Networks Polska Sp. z.o.o.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
338.	Nortel Networks UK Limited	Nortel Networks Slovensko, s.r.o.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
339.	Nortel Networks UK Limited	Nortel Networks Hispania S.A.	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
340.	Nortel Networks UK Limited	Nortel Networks (Austria) GmbH	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
341.	Nortel Networks UK Limited	Nortel Networks Oy	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
342.	Nortel Networks UK Limited	Nortel Networks AB	LRE Payments pursuant to Clause 8.4 of UKPI Settlement Deed and/or the Assurances
343.	Nortel Networks UK	Nortel Networks Romania	LRE Payments pursuant to Clause 8.4

	Nortel entity	Payee	Agreement/Arrangement/Assurance
	Limited	SRL	of UKPI Settlement Deed and/or the Assurances
344.	Nortel Networks Slovensko, s.r.o.	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
345.	Nortel Networks s.r.o	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
346.	Nortel Networks Romania SRL	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
347.	Nortel Networks International Finance & Holding B.V.	Canadian Debtors	Remaining HOC Claim due under sections 2(h) and 4(h) Settlement and Plans Support Agreement dated 12 October 2016
348.	Nortel Networks International Finance & Holding B.V.	Nortel Networks AG	Indemnity payments payable under the Deed of Indemnity dated 12 October 2016
349.	Nortel Networks France S.A.S.	Nortel Networks UK Limited	Payment of allocated remuneration and fees apportioned pursuant to Clause 7.1 of UKPI Settlement Deed and Clause 8.1 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
350.	Nortel Networks (Ireland) Limited	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017
351.	Nortel GmbH	Nortel Networks S.A. (Secondary Proceedings)	Expense Payments pursuant to Clause 3.5 of Amended Nortel Networks S.A. Settlement Deed dated 1 March 2017

SCHEDULE V – FORM OF NOTICE

NORTEL NETWORKS [OY]/[ROMANIA SRL]

(IN ADMINISTRATION)

**NOTICE OF INTENDED DIVIDEND PURSUANT TO RULE 2.95 OF THE INSOLVENCY RULES
1986**

Notice is hereby given pursuant to Rule 2.95 of the Insolvency Rules 1986 that the Joint Administrators of the above named company intend to make a distribution (by way of paying an interim dividend) to the preferential creditors (if any) and to the unsecured, non-preferential creditors of Nortel Networks OY (in administration) (the "**Company**").

Proofs of debt may be lodged at any point up to (and including) 9 October 2017 the last date for proving claims, however, creditors are requested to lodge their proofs of debt at the earliest possible opportunity.

Persons so proving are required, if so requested, to provide such further details or produce such documentation or other evidence as may appear to the Joint Administrators to be necessary.

The Joint Administrators will not be obliged to deal with proofs lodged after the last date for proving but they may do so if they think fit.

The Joint Administrators intend to make such distribution within the period of two months from the last date for proving claims.

Proofs of debt should be sent to the Joint Administrators. Further details of the methods by which proofs of debt can be submitted will be posted on the website maintained by the Joint Administrators and dedicated to the administration of the Company at www.emeanortel.com.

Rule 2.95(2)(c) of the Insolvency Rules 1986 requires the Joint Administrators to state in this notice the value of the prescribed part of the Company's net property which is required to be made available for the satisfaction of the Company's unsecured debts pursuant to section 176A of the Insolvency Act 1986. There is no prescribed part.

Dated [] 2017

[]

Joint Administrator