

TO ALL KNOWN CREDITORS

5 April 2017

Direct line: +44 (0) 20 7951 6160

Email: [cva@emeanortel.com](mailto:cva@emeanortel.com)

Dear Sirs

## **Nortel Networks N.V. (in administration) (the “Company”)**

**According to our records you are, or may be, owed money by the Company. If this is correct, this letter contains very important information on the process for you making your claim and receiving payment from the Company.**

Following our announcement on 13 October 2016 that the dispute between the Nortel estates had been settled, subject to certain formal steps, the Administrators anticipate that the Company will receive its share of the global sale proceeds of approximately US\$3,908,000 (equivalent to approximately £3,114,000) before 31 August 2017. If this changes, we will notify you by placing a notice on the CVA Website <https://cva.emeanortel.com>.

The Administrators attach a proposal to this letter which, if approved, will facilitate the prompt distribution of the Company's assets to creditors following receipt by the Company of its share of the global sale proceeds.

This proposal is an English law process called a company voluntary arrangement (or “**CVA**”). CVAs are commonly used to distribute assets to creditors in complex insolvency proceedings. The CVA proposal will not become effective unless it is approved by the requisite majority of creditors and therefore your vote is important.

Meetings of the Company's creditors and shareholders will be held to vote on the CVA proposal. Meetings will be held on 31 May 2017 at EY / HVG advocaten-avocats, the address being De Kleetlaan 2, 1831, Diegem, Belgium. The creditors' meeting will commence promptly at 11:00 a.m. Brussels time. You can attend the meeting or vote in advance by completing a Voting Form. A copy of the Voting Form is enclosed together with the CVA proposal.

To become effective, the CVA proposal requires approval of a majority of **75% or more in value** of the Company's voting creditors.

If the CVA proposal is approved and if the global settlement becomes fully effective, the Administrators anticipate being in a position to make a significant distribution in Autumn 2017, and estimate that creditors (save for certain subordinated creditors) may ultimately expect to recover at, or close to, 100% of agreed

claims, plus the potential payment of an element of post filing interest. This is only an estimate. If creditor claims are greater than the assets of the Company then it is possible that the return to creditors will be reduced below 100% (see Annex 6 (*Estimated Outcome Statement*) and Part III (*Summary of the key terms of the CVA*) of the CVA proposal for further information).

### What happens next

1. Please read the CVA proposal and the other documents enclosed in this envelope and decide if you want to vote on the CVA proposal.
2. Please then complete a **Voting Form**. The form is made up of two parts:

**Part A (Details of CVA Claim)** – this requires you to set out how much you were owed by the Company as at 14 January 2009 to enable the Supervisors to determine whether the required majority of creditors has approved the CVA proposal. Claims submitted will be subject to a formal adjudication process.

**Part B (Creditor's Proxy Form)** – this allows you to tell us how you wish to vote if you do not wish to attend the meeting to be held to consider the CVA proposal.

**If you do not wish to attend the creditors' meeting but you wish to vote on the CVA proposal, you must submit a Voting Form by midday on 30 May 2017.**

You can complete the Voting Form online at <https://cva.emeanortel.com>. You may also complete the forms enclosed with this letter and either email them to [cva@emeanortel.com](mailto:cva@emeanortel.com) or deliver them by post to Nortel Networks, PO Box 4725, Maidenhead, SL60 1HN, United Kingdom.

**If you wish to attend the creditors' meeting at 11:00 a.m. Brussels time on 31 May 2017**, you should also bring your completed Part A (*Details of CVA Claim*) to that meeting.

### Why should you vote and approve the CVA?

If the global settlement becomes fully effective (which will only occur if the US and Canadian plans of arrangement described in the CVA become fully effective) and the CVA proposal is approved, this will resolve one of the primary remaining issues preventing us from making a distribution to creditors, being the uncertain and potentially significant claim of the UK Pensions Regulator (the "**Regulator**"). If creditors vote in favour of the CVA, whether or not the global settlement becomes fully effective, creditors will only be entitled to recover a commercial rate of post-petition interest rather than statutory interest that would otherwise be due under English law where the Company's assets are sufficient to pay such interest. It is likely that there will be sufficient assets to pay post-petition interest at a commercial rate in full and therefore any surplus assets following the payment of commercial interest will ultimately be paid to the Company's parents.

Additionally, the Administrators consider the CVA is the most efficient and timely way to distribute funds to creditors.

You should note that if the global settlement does not become fully effective: (i) the Regulator will continue to have the right to pursue its claim against the Company and, if successful, that will reduce the return to creditors, and (ii) post-petition interest will be limited to the commercial rate irrespective of the fact that the Regulator's ability to continue its claim may reduce the return to creditors.

**Notwithstanding the above, the Administrators believe that it is in the interests of creditors as a whole to approve the CVA proposal and therefore strongly encourage you to vote in favour of the CVA.**

### **What will happen if the CVA does not get approved?**

If the CVA is not approved by creditors, the Regulator will be able to continue its claim against the Company. The Administrators would vigorously defend the Company against such a claim but there would be yet further delay in making distributions to creditors and, if the Regulator was successful, distributions will be significantly reduced.

Aside from the issue of the Regulator's claim, distributions would also be delayed whilst the Administrators formulate an alternative solution to agree claims and make distributions.

In such circumstances, it is anticipated that the delay would be for a significant period of time and as a result no distribution would be paid to creditors during the course of 2017.

To assist the consideration of what may be an unfamiliar process to you, this letter also includes some frequently asked questions which briefly describe a CVA, the process for voting on the proposal and the principal commercial terms of the proposal.

Information regarding the CVA proposal will be available on <https://cva.emeanortel.com>. If you have any questions on the CVA or how to submit a Voting Form, please ring the CVA helpline on +44 (0) 20 7951 6160 or contact us by email at [cva@emeanortel.com](mailto:cva@emeanortel.com).

**Your vote on the CVA proposal is very important. Please take the time to consider the documents that we have sent you and complete and submit the Voting Form to cast your vote.**

Yours faithfully



**Stephen Harris**  
Joint Administrator  
For Nortel Networks N.V. (in administration)

In respect of the Company, The Institute of Chartered Accountants in England and Wales in the UK authorises A R Bloom, S J Harris and C J W Hill to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Company are being managed by the Joint Administrators, A R Bloom, S J Harris, A M Hudson and C J W Hill who act as agents of the Company only and without personal liability.

The Joint Administrators may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). They may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998. For further details, please refer to the Data Privacy Policy at <https://cva.emeanortel.com>.

## FREQUENTLY ASKED QUESTIONS

### Why are we writing to you?

According to our records, you are, or may be, owed money by the Company.

If you are a creditor of the Company, this letter contains very important information on the process for agreeing your claim and receiving payment from the Company.

If you do not believe you are a creditor of the Company, please disregard this correspondence and let us know so that we can update our records.

### What have we sent you?

The following documents are enclosed in the same envelope as this letter:

- (a) French and Dutch translations of this letter;
- (b) the CVA proposal;
- (c) a notice of the creditors' meeting to vote on the CVA proposal; and
- (d) a Voting Form, which includes a Creditor's Proxy Form for voting if you do not wish to attend the meeting.

If you believe that you have not received one or more of these documents or require a further copy, please contact us at [cva@emeanortel.com](mailto:cva@emeanortel.com).

### What is a proposal for a CVA?

A CVA is a procedure under Part I of the English Insolvency Act 1986. It is a formal procedure which is used to agree a company's creditors' claims and determine how the assets of an entity (such as the Company) are distributed to creditors.

If a proposal for a CVA is validly approved, the CVA then binds all of the company's creditors who were entitled to vote at the meeting (whether or not they so voted) or would have been entitled to vote had they received notice of the meeting. There will also be a meeting of the Company's shareholders, or members, to vote on the proposal. If the outcome of the members' meeting differs from the outcome of the creditors' meeting then the decision taken at the creditors' meeting will prevail, subject to the right of members to challenge that decision in the English Court.

Creditors should note that by virtue of Council Regulation (EC) No. 1346/2000 on Insolvency Proceedings, the courts of the European Union Member States are obliged to recognise the CVA if it becomes effective.

### If approved, what will the CVA do?

If approved by the creditors, the CVA will:

- ensure that the UK Pensions Regulator's claims against the Company are permanently stayed (provided the global settlement becomes fully effective);
- require creditors to submit their claims before a bar date;
- enable the distribution of certain of the Company's assets in accordance with Belgian law priorities;
- provide that where the Company's assets are sufficient to pay interest to creditors on their claims it will do so at a commercial rate of interest (being 4.13% per annum), rather than statutory interest under

English law that would otherwise be payable (a minimum of 8% per annum), as per the agreement negotiated with the UK Pensions Regulator; and

- release the Administrators and certain other parties from any liability arising from certain actions taken by the Administrators after the Administration Date.

**The Administrators believe that it is in the interests of creditors as a whole to approve the CVA proposal and therefore encourage you to vote in favour of the CVA.**

#### **What happens if the CVA is not approved?**

If the CVA is not approved:

- the UK Pensions Regulator will be able to continue its litigation against the Company. Such litigation, if successful, would significantly reduce returns to creditors;
- distributions to creditors are likely to be materially delayed, potentially by up to several years whilst the Administrators formulate an alternative process for valuing claims and distributing the Company's assets to creditors; and
- further costs will be incurred in the conduct of the administration.

#### **What happens if the CVA is approved but the global settlement does not become fully effective?**

If the CVA is approved but the global settlement does not become fully effective, the CVA would continue to be binding upon creditors, including creditors' right to receive post-petition interest at the commercial rate only if there are sufficient assets. In such circumstances, it is anticipated that the Regulator will continue to pursue its claim and the return to creditors may be reduced.

#### **What do I do next?**

You should read this letter and the documents enclosed with it and decide whether or not you want to vote on the CVA proposal.

To become effective, the CVA proposal requires that both:

- at least 75% in value of creditors present and voting in person or by proxy do so in favour of the proposal; and
- in the case of creditors who are not connected to the Company, not more than 50% in value of creditors have voted against the proposal.

#### **How do I vote on the CVA proposal?**

**If you do not wish to attend the meeting**, you can submit your vote on the CVA proposal in advance by completing a Voting Form (which includes a Creditor's Proxy Form).

Please visit <https://cva.emeanortel.com> to complete and submit your form online. You may also complete and submit your Voting Form (including the Creditor's Proxy Form) to the Administrators by:

- sending a pdf or electronic scan to [cva@emeanortel.com](mailto:cva@emeanortel.com); or
- sending the hard copy by post or hand deliver to Nortel Networks, PO Box 4725, Maidenhead, SL60 1HN, United Kingdom, so that it is received by midday on 30 May 2017 marked for the attention of "Nortel Networks N.V. (in administration)".

For each of these methods, it is important to note that the completed forms must be received by midday (London time)<sup>1</sup> on 30 May 2017.

If you wish to attend the creditors' meeting, you must also complete and bring Part A (*Details of CVA Claim*) of the Voting Form to the creditors' meeting.

**The Voting Form has two parts. What is the difference between Part A (*Details of CVA Claim*) and Part B (*Creditor's Proxy Form*)?**

The Voting Form is formed of Part A (*Details of CVA Claim*) and Part B (*Creditor's Proxy Form*).

In order to vote on the CVA, Part A (*Details of CVA Claim*) must be completed and submitted, either before the meeting (by the deadline of midday on 30 May 2017) or in person at the meeting. If the CVA is approved, the Voting Form submitted by you will also be treated as your Claim Form and will be used as a basis for distributing funds to creditors, unless you have stipulated (at question 20 of the form) that you wish to submit another Claim Form for this process.

Part B (*Creditor's Proxy Form*) is to be completed in the event that you cannot attend or do not wish to attend the creditors' meeting. The Creditor's Proxy Form allows you to nominate another individual to vote on your behalf, such as the Chairman of the meeting or a representative who will attend the meeting for you. The Creditor's Proxy Form must be signed by the creditor or a person authorised to act on his behalf. It must also stipulate who will vote on your behalf and if you wish to vote for or against the CVA. This form must also be received by midday on 30 May 2017.

**Can I attend the creditors' meeting to vote on the CVA in person?**

Yes, you may attend the meeting to vote in person. Please note that you will need to bring a completed Part A (*Details of CVA Claim*) form with you to vote at the meeting. You will not need to submit Part B (*Creditor's Proxy Form*).

**When is the creditors' meeting taking place and where will it be held?**

Notice of the creditors' meeting is attached to this pack. The creditors' meeting will be held at EY/HVG advocaten-avocats, the address being De Kleetlaan 2, 1831, Diegem, Belgium. The meeting will commence promptly at 11:00 a.m. Brussels time.

**Who are the Supervisors?**

If the CVA proposal is approved, the Administrators will be the Supervisors of the CVA and will be responsible for adjudicating claims and making distributions. In addition, a member of the Administrators' team, Joanne Hewitt-Schembri will be one of the Supervisors.

**What is the deadline for returning my Claim Form**

If you have not already completed a Voting Form (or completed a Voting Form but stated that you did not want you Voting Form to be used as your Claim Form), you will need to complete and submit a Claim Form. All Claim Forms must be submitted before the Bar Date. It is currently anticipated that the earliest date on which the Bar Date could fall will be 2 October 2017. It is likely that a claim received after the Bar Date will not receive a distribution or payment. If the CVA is approved, the Supervisors will notify you of the date on which the CVA becomes effective and the Bar Date.

<sup>1</sup> All references to times in this document are to London time unless otherwise stated.

**When do you estimate the earliest date for the first distribution to creditors will occur?**

If the CVA proposal is approved, the global settlement becomes effective and the Company receives its share of the global sales proceeds, we anticipate that the earliest time that the first distribution to creditors will take place will be autumn 2017. We will keep creditors updated on the timescales of any proposed distributions.

**How will I receive payment?**

All payments to creditors will be in UK Pounds. Please provide your bank details on the Voting Form.

**What is the anticipated timetable for the CVA?**

The anticipated timetable for the CVA proposal is:

Issue CVA proposal	5 April 2017
Latest date and time for return of Voting Form for the purpose of voting on the proposal	Midday on 30 May 2017
Creditors' meeting	11.a.m. Brussels time 31 May 2017
Earliest date the remaining provisions of the CVA become effective (the Implementation Date)	29 June 2017
Earliest anticipated Bar date	2 October 2017
Earliest anticipated date for the first distribution to creditors	Autumn 2017

**What should I do if I have a claim for an administration expense?**

The Administrators have made an application to the English Court in support of the requirement that persons with claims which they believe rank as administration expenses submit their claims by a specified date. Administration expenses may include any fees, costs, charges and other expenses incurred after 14 January 2009 in the course of the administration. Further information on this application is in the CVA proposal and will also be made available on <https://cva.emeanortel.com>. If you would like any further information on administration expenses or the application to the English Court, then please contact us.

**If I have a question, how do I contact you?**

If you have any questions please contact us using one of the following options:

- email us at [cva@emeanortel.com](mailto:cva@emeanortel.com);
- write to us at Nortel Networks, PO Box 4725, Maidenhead, SL60 1HN, United Kingdom; or
- call us using the CVA helpline +44 (0) 20 7951 6160.