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TO ALL FORMER KNOWN CREDITORS

21 August 2019

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Dear Sirs

## **Nortel Networks France S.A.S. (in Administration and formerly subject to a Company Voluntary Arrangement (“CVA”)) (the “Company”)**

In the High Court of Justice, Business and Property Courts of England & Wales, Companies and Insolvency List (ChD) No. 544 of 2009 / CR-2009-000045.

Incorporated in France with registered number FR625552150724/552150724. The Company's registered address is Centre d’Affaires Parc Lumiere, 46 Avenue des Freres Lumiere, F-78190 Trappes, France.

### **Joint Supervisors’ Final CVA Progress Report**

I write to provide you with the Joint Supervisors’ final progress report (“Final Report”), which includes details of the outcome of the CVA of the Company. This Final Report covers the period from 11 May 2019, the date after the period covered in the second annual CVA progress report, to 18 July 2019, being the date the CVA was terminated, and should be read in conjunction with the previous CVA progress reports and CVA Proposal dated 5 April 2017. The Company is also in Administration and this Final Report should be read in conjunction with the Joint Administrators’ previous reports, the Joint Administrators’ Statement of Proposals dated 23 February 2009 and interim update dated 15 November 2016 as well as the most recent Administration progress report dated 13 August 2018.

Additional copies of this Final Report, and the previous reports referred to, can be made available on request or can be obtained at the following websites: [www.emeanortel.com](http://www.emeanortel.com) and [www.cva.emeanortel.com](http://www.cva.emeanortel.com).

Capitalised terms used in this Final Report shall have the same meaning as set out in Annex 1 (*Definitions and Interpretation*) of the CVA.

### **Brief Background**

On 5 April 2017, the Joint Administrators issued the Proposal for a CVA. A CVA is a legal process often used to facilitate distributions to creditors in complex situations. The CVA also provided a platform to resolve, in an equitable way, the threat of the Financial Support Directives (“FSD”) that had been brought by the UK Pension Regulator (the “Regulator”) against the Company and certain other EMEA entities in the Nortel group.

In summary the proposed CVA sought to:

- Resolve the FSD claim which could have otherwise significantly diluted returns to creditors;
- Provide a mechanism for the Joint Administrators as Joint Supervisors to determine creditor claims and distribute funds as quickly as possible; and
- Impose a bar date, being 27 October 2017 (the "Bar Date"), by which pre-appointment claims against the Company were to be submitted to the Joint Supervisors, allowing distributions to occur in a timely manner.

On 11 May 2017, meetings of both the Company's creditors and members were held to vote on the Proposal. The Proposal was approved by both the Company's creditors and members and the Effective Date occurred on 12 May 2017.

The CVA was being supervised by the Joint Supervisors, being A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri, who acted as agents of the Company and without personal liability.

### **Claim adjudication and distributions to creditors**

In accordance with the Terms of the CVA, the Joint Supervisors adjudicated the CVA Claims received in advance of the CVA Bar Date. The total value of claims submitted was €2,381,473,998.79 (including a significant contingent claim submitted by the Regulator), of which €5,917,143.45 has now been admitted for payment and €2,375,556,855.34 (including a claim of €2,372,637,860.54 made by the UK Pension Regulator) has been rejected.

In December 2017, in consultation with the Joint Supervisors, the Joint Administrators determined the amount of cash available to be paid to the Joint Supervisors to facilitate a first interim distribution to creditors. Subsequently, on 5 December 2017, the Joint Supervisors gave notice of the making of a first interim distribution of 95c in the euro to unsecured CVA creditors with Allowed Claims.

Subsequently, on 21 June 2018, the CVA Supervisors gave notice of the making of a final distribution of 5c in the euro in respect of unsecured CVA creditors with Allowed Claims plus post-petition interest in full on unsecured CVA Allowed Claims from 14 January 2009 to the date of payment at a commercial interest rate of 3.60% per annum per the Terms of the CVA (on a pro-rata basis by reference to the value of the Allowed Claim).

### **CVA Termination**

The CVA Supervisors were in a position to terminate the CVA on the basis that they were satisfied that:

- CVA Claims have been adjudicated and were admitted in whole or in part as Allowed Claims or rejected;
- There were no CVA Claims that were Disputed Claims;
- On making the final Distribution, all Allowed Claims were paid in full;
- Following the making of the final Distribution, the CVA had achieved its main objectives; and

- Following the termination of the CVA, it would be possible for the Joint Administrators to seek discharge from office and ultimately the dissolution of the Company in accordance with French law.

Given that all unsecured creditors with provable CVA Claims have been paid in full, the Joint Supervisor determined that the CVA had been successfully completed and accordingly the CVA was terminated on 18 July 2019.

### **Exit Strategy from Administration**

The Joint Administrators intend to apply to the High Court under paragraph 79 of Schedule B1 to the Insolvency Act 1986 for an order ending the administration of the Company on the French law merger of with Nortel Networks S.A. (“NNSA”). The Joint Administrators believe that a merger (by way of a universal transfer of all assets and liabilities to NNSA) will be the most efficient way to distribute the surplus cash held by the Company and minimise any potential complications and delays that could arise in resolving the Company’s outstanding intercompany positions with NNSA, in particular an intragroup loan under which NNSA owes NNF approximately €52m. We draw your attention to the Joint Administrators recent progress report for further details. The Joint Administrators are in the process of finalising the application and evidence to support the application and will make submissions to the High Court not later than 23 August 2019.

The Joint Administrators issued a letter to all former creditors of the Company on 18 July 2019 to notify them of the Joint Administrators’ intended application to the High Court. This letter, along with the relevant enclosures, has been made available on the website: [www.emeanortel.com/documents/nnf-sas/](http://www.emeanortel.com/documents/nnf-sas/). Once the evidence and applications have been submitted to the High Court, these, along with the orders, will also be made available on this website. The Joint Administrators will provide an update in due course.

The hearing of applications is scheduled to take place on Monday 9 September 2019 at the Rolls building, London, if you consider that you are affected by the application then you have the right to appear at the hearing and be heard if you chose to do so. If you do intend to appear at the hearing, please inform the Joint Administrators or our solicitors, Herbert Smith Freehills LLP (c/o NortelDL@hsf.com) at your earliest convenience.

Once the Administration of the Company is terminated, the Joint Administrators will provide a final report covering the period from 14 July 2019 to the termination of the Administration.

### **Nominees’ and Joint Supervisors’ time costs**

The period from which the decision was made to propose a CVA to creditors until the CVA was approved by creditors represented the period where the Joint Administrators acted as the Nominees. This period, together with the period since the approval of the CVA, shall be referred to as the “CVA period” in this section.

The Nominees’ costs are those costs incurred by the Nominees during the period leading up to the approval of the CVA.

The Joint Supervisors’ time costs are those time costs incurred following the approval of the CVA by the creditors on 11 May 2017.

The Nominees and Joint Supervisors of the CVA have incurred “Direct time costs” of £31,890.50 and £138,096.04, respectively, in the CVA period to 18 July 2019 (totalling £169,986.54).

In addition, during the CVA period, the Joint Supervisors have apportioned between certain Nortel EMEA entities (which are also in a CVA process or shortly will be) certain central time costs for workstreams undertaken for the benefit of the Nortel EMEA entities (“General time costs”). During the CVA period to 18 July 2019, £102,823.77 of Nominees’ General time costs and £7,676.53 of Joint Supervisors’ General time costs were allocated to the Company in respect of these apportionments.

The Nominees’ and Joint Supervisors’ total time costs, including both Direct and General time, for the period to 18 July 2019 are £280,486.84.

The Joint Supervisors will seek the approval of the English Court for their time costs, as appropriate, in due course. A summary of the time costs incurred for the CVA period to 18 July 2019 are appended to this Final Report for creditors’ information (see Appendix 1).

Remuneration of the Joint Supervisors is governed by the Terms of the CVA. Further information is given in the Association of Business Recovery Professionals’ publication ‘A creditors’ guide to insolvency practitioners’ fees under voluntary arrangements’ a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

## **Receipts & Payments**

Attached at Appendix 2 is the Joint Supervisors’ receipts and payments (“R & P”) account for the CVA period to 18 July 2019 in respect of the Company.

As at 18 July 2019, the Company held nil cash in the Joint Supervisors’ bank accounts.

Further detailed notes in respect of the R & P account for the period to 18 July 2019 are provided at Appendix 2.

Cash held by the Joint Administrators is reported separately in the Joint Administrator’s progress reports.

As mentioned above, the Joint Administrators will provide their final reports to creditors in due course.

We should like to take this opportunity to thank the former creditors of the Company and the members of the Creditors’ Committee for their support over many years.

Yours faithfully

For and on behalf of Nortel Networks France S.A.S.



S J Harris  
Formerly Joint Supervisor

*For the Company, The Institute of Chartered Accountants in England and Wales in the UK authorises A R Bloom and S J Harris to act as Insolvency Practitioners under section 390A(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises A M Hudson to act as Insolvency Practitioner under section 390A(2)(a) of the Insolvency Act 1986. The Institute of Chartered Accountants in Scotland in the UK authorises J Hewitt-Schembri to act as an Insolvency Practitioner under section 390A(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 and A M Hudson who act as agents of the Company only and without personal liability.*

*The Company was also subject to a Company Voluntary Arrangement. The Joint Supervisors were A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri who acted as agents of the CVA Company 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 2018.*

*The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy).*

## Appendix 1

### Nortel Networks France S.A.S.

(In Administration and formerly subject to a Company Voluntary Arrangement (“CVA”))

#### Joint Supervisors' Abstract of fees from 9 May 2017 to 18 July 2019

##### Summary of total time costs incurred for the period

Time costs for the CVA period to 18 July 2019	£
Total Nominees' direct time costs	31,890.50
Total Nominees' general time costs	102,823.77
Total Joint Supervisors' direct time costs	138,096.04
Total Joint Supervisors' general time costs	7,676.53
<b>Total time costs for the CVA period to 18 July 2019</b>	<b>280,486.84</b>

##### Nominees' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for Period to 18 July 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Nominees' direct time	14.1	6.0	23.7	-	40.2	84.0	379.65	31,890.50
<b>Grand Total</b>	<b>14.1</b>	<b>6.0</b>	<b>23.7</b>	<b>-</b>	<b>40.2</b>	<b>84.0</b>		<b>31,890.50</b>
Average hourly rate (£)	770.00	565.00	415.00	-	194.23			
Time costs for the Period (£)	10,857.00	3,390.00	9,835.50	-	7,808.00			

## Joint Supervisors' Direct time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Time costs for the Period to 18 July 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Creditor claim adjudication	-	6.7	13.2	60.4	-	19.6	99.9	399.58	39,918.03
Distribution	-	5.7	1.5	39.7	11.5	12.5	70.9	372.59	26,416.56
Fees and time costs	9.0	-	2.1	-	5.2	38.2	45.5	374.20	17,026.20
Statutory	3.0	4.0	-	3.7	-	17.8	25.5	412.56	10,520.30
Creditors' Committee	-	2.0	-	-	5.0	36.6	43.6	233.99	10,202.00
Nominees' time	-	0.3	3.5	8.2	1.3	13.3	26.6	318.70	8,477.50
Creditor correspondence	-	-	-	11.8	12.0	4.3	28.1	254.67	7,156.10
Finance, accounting and administration	-	-	-	7.5	6.9	6.7	21.1	309.30	6,526.30
Corporation tax	-	-	-	12.0	0.2	5.6	17.8	323.17	5,752.45
VAT	-	-	-	-	-	13.0	13.0	195.00	2,535.00
Annual progress report	-	-	-	4.3	3.5	-	7.8	301.88	2,354.70
Legal	-	-	-	-	0.5	5.4	5.9	205.24	1,210.90
<b>Grand Total</b>	<b>12.0</b>	<b>18.7</b>	<b>20.3</b>	<b>147.6</b>	<b>46.1</b>	<b>173.0</b>	<b>405.7</b>		<b>138,096.04</b>
Average hourly rate (£)	805.00	770.27	564.93	396.90	233.96	191.89			
Total time costs for Period (£)	9,660.00	14,404.00	11,468.00	58,582.14	10,785.50	33,196.40			

## Nominees' General time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for Period to 18 July 2019 (£)	Company cost percentage allocation	Time costs for the Company for the Period to 18 July 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Total Nominees' general time	3.1	393.9	513.7	524.9	6.5	165.2	1,607.3	527.39	847,681.50	12.13%	102,823.77
Average hourly rate (£)	805.00	770.00	565.00	415.00	305.00	192.65					
Time costs for the Period (£)	2,495.50	303,303.00	290,240.50	217,833.50	1,982.50	31,826.50					

## Joint Supervisors' General time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Total time costs for the period 11 May 2019 to 18 July 2019 (£)	Company cost percentage allocation	Time costs for the Company for the period 11 May 2019 to 18 July 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Supervisors' general time	22.5	40.0	16.0	38.4	28.3	145.2	435.85	63,285.50	12.13%	7,676.53
<b>Grand Total</b>	<b>22.50</b>	<b>40.00</b>	<b>16.00</b>	<b>38.4</b>	<b>28.3</b>	<b>145.2</b>		<b>63,285.50</b>		<b>7,676.53</b>
Average hourly rate (£)	770.00	565.00	415.00	291.72	195.00	-				
Total time costs for Period (£)	17,325.00	22,600.00	6,640.00	11,202.00	5,518.50					

## Appendix 2

### Nortel Networks France S.A.S.

(In Administration and formerly subject to a Company Voluntary Arrangement (“CVA”))

#### Joint Supervisors’ Abstract of Receipts and Payments from 11 May 2019 to 18 July 2019

Nortel Networks France SAS (in Administration and formerly subject to a Company Voluntary Arrangement) Supervisors' receipts and payments account for the period 11 May 2019 to 18 July 2019:				
Currency: EUR	Period 11 May 2017 to 10 May 2019	Period 11 May 2019 to 18 July 2019	Total to 18 July 2019	Notes
Opening balance	-	43,762	-	
<b>Receipts</b>				
- Transfer from Administrators	<u>8,125,015</u>	<u>8,776</u>	<u>8,133,790</u>	
	4,973,902	8,776	8,133,790	
<b>Payments</b>				
- Distribution to creditors	(7,118,614)	(432,821)	(7,551,435)	1
- Joint Supervisors' fees and disbursements	(234,926)	(8,780)	(243,706)	
- Legal fee recharges	(257,985)	-	(257,985)	
- Bank charges and interest	(570)	(12)	(582)	
- Transfer to Administrators	-	(80,083)	(80,083)	2
	<u>(4,930,140)</u>	<u>(521,695)</u>	<u>(8,133,790)</u>	
Closing balance	<u>43,762</u>	<u>(469,157)</u>	-	
Account reconciliations:	-	-	-	
Supervisor's Accounts	<u>43,762</u>	<u>(469,157)</u>	-	

#### Notes to R&P

##### Note 1

As described in the main body of this Report, distribution to creditors represents 100c in the Euro to non-subordinated Allowed CVA Claims, and Local Proceedings Subordinated Claims. In addition, post-petition interest was paid in full on Allowed CVA Claims in respect of the period 14 January 2009 to 1 October 2018 at a commercial interest rate of 3.60% per annum in line with the Terms of the CVA (on a pro-rata basis by reference to the value of the Allowed Claim).

##### Note 2

The 'transfer to Administrators' reflects surplus funds which will be transferred from the Joint Supervisors' bank account back to the administration bank account in the coming days.