

B26 (Official Form 26) (12/08)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X	
	:	
<i>In re</i>	:	Chapter 11
	:	
Nortel Networks Inc., <i>et al.</i> , ¹	:	Case No. 09-10138 (KG)
	:	
Debtors.	:	Jointly Administered
	:	
	:	
	X	

**PERIODIC REPORT REGARDING VALUE, OPERATIONS AND PROFITABILITY OF
ENTITIES IN WHICH THE ESTATES OF NORTEL NETWORKS INC. AND
NORTEL NETWORKS (CALA) INC. HOLD A SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report as of June 30, 2015 on the value, operations and profitability of those entities in which the Debtors' estates hold a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estates of Nortel Networks Inc. ("NNI") and Nortel Networks (CALA) Inc. ("NNCI")² hold a substantial or controlling interest in the following entities:

Name of Entity	NNI Interest of the Estate
Nortel Networks India International Inc.	100.00%
Nortel Technology Excellence Centre Private Limited	99.01%

Name of Entity	NNCI Interest of the Estate
Nortel Networks de Guatemala, Ltda.	98.00%

This periodic report (the "Periodic Report") consists of three exhibits for each entity listed above. Exhibit A contains a valuation estimate for each entity as of a date not more than two years prior to the date of this report. It also contains a description of the valuation method. Exhibit B is presented

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number, are: Nortel Networks Inc. (6332), Nortel Networks Capital Corporation (9620), Nortel Altsystems Inc. (9769), Nortel Altsystems International Inc. (5596), Xros, Inc. (4181), Sonoma Systems (2073), Qtera Corporation (0251), CoreTek, Inc. (5722), Nortel Networks Applications Management Solutions Inc. (2846), Nortel Networks Optical Components Inc. (3545), Nortel Networks HPOCS Inc. (3546), Architel Systems (U.S.) Corporation (3826), Nortel Networks International Inc. (0358), Northern Telecom International Inc. (6286), Nortel Networks Cable Solutions Inc. (0567) and Nortel Networks (CALA) Inc. (4226). Contact information for the Debtors and their petitions are available at <http://dm.epiq11.com/nortel>.

² The other Debtors do not hold or have a substantial or controlling interest in other non-debtor entities.

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in columnar format for each entity and contains a balance sheet, a statement of operations, a statement of cash flows, and a statement of changes in shareholders' or partners' equity (deficit) for the period covered by the Periodic Report, along with summarized footnotes. Exhibit C contains a description of the business operations of each entity.

THIS REPORT MUST BE SIGNED BY A REPRESENTATIVE OF THE TRUSTEE OR DEBTOR IN POSSESSION.

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The undersigned, having reviewed the above listing of entities in which the estates of NNI and NNCI hold a substantial or controlling interest, and being familiar with the Debtors' financial affairs, verifies under the penalty of perjury that the listing is complete, accurate and truthful to the best of his/her knowledge.

Date: October 14, 2015



Signature of Authorized Individual

John J. Ray III

Name of Authorized Individual

Principal Officer of each of the U.S. Debtors

Title of Authorized Individual

Notes to Periodic Report Required by Bankruptcy Rule 2015.3

The financial statements contained in this Periodic Report are unaudited. While management of the Debtors and their affiliates made every reasonable effort to ensure that these financial statements are accurate and complete based upon information available at the time of preparation, the subsequent receipt of information may result in material changes in the data contained in these financial statements, and inadvertent errors or omissions may exist. To the extent the Debtors discover additional information that may differ materially from the information set forth in the financial statements contained herein, the Debtors may amend, supplement or otherwise modify this Periodic Report to reflect such changes. Accordingly, the Debtors reserve all rights to amend, supplement or otherwise modify this Periodic Report as they deem necessary or appropriate.

1. Reservation of Rights. Nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 cases including, but not limited to, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, ultimate allocation of proceeds from sales among debtor estates, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of title 11 of the United States Code (the "Bankruptcy Code") and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers.

The Debtors are reviewing the assets and liabilities of their affiliates on an ongoing basis, including without limitation with respect to intercompany claims and obligations, and nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' or their affiliates' rights with respect to such assets, liabilities, claims and obligations that may exist.

2. Basis of Presentation. The financial statements contained herein were not intended to reconcile to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. Significant efforts have been put forth to attribute the assets and liabilities to the proper legal entity. However, because the Debtors' accounting systems, policies, and practices were developed with a view to producing consolidated reporting, rather than by legal entity, it is possible that not all assets or liabilities have been recorded at the correct legal entity. Accordingly, the Debtors reserve all rights to supplement or amend any financial statements contained in this Periodic Report.

The Periodic Report is limited in scope, covers a limited time period, and has been prepared solely for the purpose of complying with the reporting requirements of the Bankruptcy Court and the United States Trustee.

Moreover, given, among other things, the uncertainty surrounding the collection and ownership of certain assets and the valuation and nature of certain liabilities, to the extent that a non-debtor entity shows more assets than liabilities, this is not an admission that the non-debtor entity was solvent at the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report. Likewise, to the extent that a non-debtor entity shows more liabilities than assets, this is not an admission that the non-debtor entity was insolvent at the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other financial information included in this Periodic Report.

The Debtor assembled Financial Information (as defined below) from the general ledgers of the Form 26 Reporting entities. The Financial Information is generally maintained in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts and results could differ from those estimates.

3. Current values. Unless otherwise indicated, the basis for all current values included in this Periodic Report was the net book value from relevant corporate books and records as of the close of business on June 30, 2015. The net book value as of June 30, 2015 may not reflect the current value of the respective assets.

For the reasons discussed above, the Debtors caution readers not to place undue reliance upon the information contained in this Periodic Report. The results herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the combined results and financial position of the Debtors' affiliates reported on below in the future.

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Exhibit A.1
Valuation Estimate for Entities held by Nortel Networks Inc.
 Unaudited
 In thousands of U.S. Dollars

Entities held by Nortel Networks Inc.	% of Interest Holding	Net Book Value
Nortel Networks India International Inc.	100.00%	\$ (28,807)
Nortel Technology Excellence Centre Private Limited	99.01%	455

The basis for the valuation of each entity is the net book value calculated as total liabilities of each entity subtracted from its total assets as of June 30, 2015. The book balances for the assets and liabilities of each entity are maintained based on historic cost as adjusted in accordance with the requirements of U.S. GAAP. The Debtors have no available analyses prepared within the past two years supporting any comprehensive alternative valuation method for the entities.

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Exhibit A.2
Valuation Estimate for Entities held by Nortel Networks (CALA) Inc.
 Unaudited
 In thousands of U.S. Dollars

<u>Entities held by Nortel Networks (CALA) Inc.</u>	<u>% of Interest Holding</u>	<u>Net Book Value</u>
Nortel Networks de Guatemala, Ltda.	98.00%	\$ 2,823

The basis for the valuation of each entity is the net book value calculated as total liabilities of each entity subtracted from its total assets as of June 30, 2015. The book balances for the assets and liabilities of each entity are maintained based on historic cost as adjusted in accordance with the requirements of U.S. GAAP. The Debtors have no available analyses prepared within the past two years supporting any comprehensive alternative valuation method for the entities.

B26 (Official Form 26) (12/08) – Cont.

Exhibit B-1.1
Balance Sheet for Entities held by Nortel Networks Inc.
As of June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks India International Inc.	Nortel Technology Excellence Centre Private Limited
	Assets	Assets
Current assets		
Cash and cash equivalents	\$ 32,934	\$ 207
Accounts receivable - net	-	-
Intercompany amounts due (accounts receivable and notes)	2,327	-
Other current assets	9,332	266
Total current assets	44,593	473
 Plant and equipment - net	 -	 -
Total assets	\$ 44,593	\$ 473
	Liabilities and Shareholders' Equity (Deficit)	
Current liabilities		
Trade and other accounts payable	\$ -	\$ 7
Intercompany amounts (accounts payable, notes, and interest)	73,400	-
Payroll and benefit-related liabilities	-	-
Other accrued liabilities	-	11
Income taxes	-	-
Total current liabilities	73,400	18
 Total liabilities	 73,400	 18
	Shareholders' Equity (Deficit)	
Common shares	1	-
Additional paid-in capital	-	388
Retained earnings (accumulated deficit)	(28,808)	67
Foreign currency translation adjustment	-	-
Unrealized gain/(loss) on investment	-	-
Total shareholders' equity (deficit)	(28,807)	455
Total liabilities and shareholders' equity (deficit)	\$ 44,593	\$ 473

The accompanying notes are an integral part of this Exhibit B-1.

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Exhibit B-1.2
Balance Sheet for Entities held by Nortel Networks (CALA) Inc.
As of June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks de Guatemala, Ltda. Assets
Current assets	
Cash and cash equivalents	\$ 2,754
Accounts receivable - net	-
Intercompany amounts due (accounts receivable and notes)	78
Other current assets	4
Total current assets	<u>2,836</u>
Plant and equipment - net	-
Total assets	<u><u>\$ 2,836</u></u>
	Liabilities and Shareholders' Equity (Deficit)
Current liabilities	
Trade and other accounts payable	\$ -
Intercompany amounts (accounts payable, notes, and interest)	-
Payroll and benefit-related liabilities	-
Other accrued liabilities	13
Income taxes	-
Total current liabilities	<u>13</u>
Total liabilities	13
	Shareholders' Equity (Deficit)
Common shares	18
Additional paid-in capital	2
Retained earnings (accumulated deficit)	2,803
Foreign currency translation adjustment	-
Unrealized gain/(loss) on investment	-
Total shareholders' equity (deficit)	<u>2,823</u>
Total liabilities and shareholders' equity (deficit)	<u><u>\$ 2,836</u></u>

The accompanying notes are an integral part of this Exhibit B-1.

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Exhibit B-2.1
Statement of Operations for
Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks India International Inc.	Nortel Technology Excellence Centre Private Limited
Total revenues	\$ -	\$ -
Total cost of revenues	<u>-</u>	<u>-</u>
Gross profit	<u>-</u>	<u>-</u>
 Selling, general and administrative expense	 26	 68
Research and development expense	-	-
Gain on sales of businesses and assets	-	-
Other charges (income)	<u>-</u>	<u>-</u>
Operating earnings (loss)	(26)	(68)
 Other income (expense) - net	 3	 (6)
Intercompany interest expense	(96)	-
Reorganization items	<u>-</u>	<u>-</u>
Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies	(119)	(74)
Income tax benefit	<u>-</u>	<u>-</u>
Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies	(119)	(74)
Minority interests - net of tax	<u>-</u>	<u>-</u>
Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax	(119)	(74)
Equity in net loss	<u>-</u>	<u>-</u>
Net earnings (loss)	<u><u>\$ (119)</u></u>	<u><u>\$ (74)</u></u>

The accompanying notes are an integral part of this Exhibit B-2.

B26 (Official Form 26) (12/08) – Cont.

Exhibit B-2.2
Statement of Operations for Entities held by Nortel Networks (CALA) Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks de Guatemala, Ltda.
Total revenues	\$ -
Total cost of revenues	-
Gross profit	-
Selling, general and administrative expense	21
Research and development expense	-
Gain on sales of businesses and assets	-
Other charges (income)	-
Operating earnings (loss)	(21)
Other income (expense) - net	4
Intercompany interest expense	-
Reorganization items	-
Earnings (loss) from operations before income taxes, minority interests and equity in net earnings (loss) of associated companies	(17)
Income tax benefit	-
Earnings (loss) from operations before minority interests and equity in net earnings (loss) of associated companies	(17)
Minority interests - net of tax	-
Earnings (loss) from operations before net earnings (loss) of associated companies - net of tax	(17)
Equity in net loss	-
Net earnings (loss)	\$ (17)

The accompanying notes are an integral part of this Exhibit B-2.

B26 (Official Form 26) (12/08) – Cont.

Exhibit B-3.1
Statement of Cash Flows for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks India International Inc.	Nortel Technology Excellence Centre Private Limited
Cash flows from (used in) operating activities		
Net earnings (loss)	\$ (119)	\$ (74)
Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:		
Amortization and depreciation	-	-
Pension and other accruals	-	-
Reorganization items	-	-
Other - net	-	-
Change in operating assets and liabilities	95	118
Net cash from (used in) operating activities	<u>(24)</u>	<u>44</u>
Cash flows from (used in) investing activities		
Change in restricted cash and cash equivalents	<u>-</u>	<u>-</u>
Net cash from (used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from (used in) financing activities		
Net cash from (used in) financing activities	<u>-</u>	<u>-</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(24)	44
Cash and cash equivalents, at beginning of period	32,958	163
Cash and cash equivalents, at end of period	<u>\$ 32,934</u>	<u>\$ 207</u>

The accompanying notes are an integral part of this Exhibit B-3.

B26 (Official Form 26) (12/08) – Cont.

Exhibit B-3.2
Statement of Cash Flows for Entities held by Nortel Networks (CALA) Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks de Guatemala, Ltda.
Cash flows from (used in) operating activities	
Net earnings (loss)	\$ (17)
Adjustments to reconcile net earnings (loss) from continuing operations to net cash from (used in) operating activities, net of effects from acquisitions and divestitures of businesses:	
Amortization and depreciation	-
Equity in net (earnings)/loss of associated companies	-
Pension and other accruals	-
Reorganization items	-
Other - net	-
Change in operating assets and liabilities	4
Net cash from (used in) operating activities	<u>(13)</u>
Cash flows from (used in) investing activities	
Proceeds on disposals of plant and equipment	-
Proceeds from the sales of investments and businesses and assets - net	-
Net cash from (used in) investing activities	<u>-</u>
Cash flows from (used in) financing activities	
Net cash from (used in) financing activities	-
Effect of foreign exchange rate changes on cash and cash equivalents	-
Net increase (decrease) in cash and cash equivalents	(13)
Cash and cash equivalents, at beginning of period	<u>2,767</u>
Cash and cash equivalents, at end of period	<u>\$ 2,754</u>

The accompanying notes are an integral part of this Exhibit B-3.

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Exhibit B-4.1
Statement of Changes in Shareholders' or Partners' Equity
(Deficit) for Entities held by Nortel Networks Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks India International Inc.	Nortel Technology Excellence Centre Private Limited
Common Shares		
Balance at the beginning of the period	\$ 1	\$ -
Balance at the end of the period	<u>1</u>	<u>-</u>
Additional paid-in capital		
Balance at the beginning of the period	-	388
Balance at the end of the period	<u>-</u>	<u>388</u>
Retained earnings (accumulated deficit)		
Balance at the beginning of the period	(28,689)	141
Net earnings (loss)	(119)	(74)
Other	-	-
Balance at the end of the period	<u>(28,808)</u>	<u>67</u>
Accumulated other comprehensive income (loss)		
Balance at the beginning of the period	-	-
Foreign currency translation adjustment	-	-
Other comprehensive income (loss)	-	-
Balance at the end of the period	<u>-</u>	<u>-</u>
Total shareholders' equity (deficit)	<u>(28,807)</u>	<u>455</u>
Total comprehensive income (loss) for the period		
Net earnings (loss)	(119)	(74)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the period	<u>\$ (119)</u>	<u>\$ (74)</u>

The accompanying notes are an integral part of this Exhibit B-4.

B26 (Official Form 26) (12/08) – Cont.

Exhibit B-4.2
Statement of Changes in Shareholders' or Partners' Equity (Deficit) for
Entities held by Nortel Networks (CALA) Inc.
For the six-month period ended June 30, 2015
Unaudited
In thousands of U.S. Dollars

	Nortel Networks de Guatemala, Ltda.
Common Shares	
Balance at the beginning of the period	\$ 18
Other	-
Balance at the end of the period	<u>18</u>
Additional paid-in capital	
Balance at the beginning of the period	<u>2</u>
Balance at the end of the period	<u>2</u>
Retained earnings (accumulated deficit)	
Balance at the beginning of the period	2,820
Net earnings (loss)	(17)
Other	-
Balance at the end of the period	<u>2,803</u>
Accumulated other comprehensive income (loss)	
Balance at the beginning of the period	-
Foreign currency translation adjustment	-
Other comprehensive income (loss)	-
Balance at the end of the period	<u>-</u>
Total shareholders' equity (deficit)	<u>2,823</u>
Total comprehensive income (loss) for the period	
Net earnings (loss)	(17)
Other comprehensive income (loss)	-
Total comprehensive income (loss) for the period	<u>\$ (17)</u>

The accompanying notes are an integral part of this Exhibit B-4.

B26 (Official Form 26) (12/08) – Cont.

Periodic Report Regarding Value, Operations, and Profitability of Entities In Which the Estates of Nortel Networks Inc. and Nortel Networks (CALA) Inc. Hold a Substantial or Controlling Interest

Notes to Exhibits B-1 through B-4

The accompanying unaudited financial information presented on Exhibits B-1 through B-4 represents the financial position, statements of operations, cash flows, and changes in shareholders' or partners' equity (deficit) (collectively, the "Financial Information") of the non-debtor entities in which NNI and NNCI hold a substantial or controlling interest (the "Form 26 Reporting Entities").

The Debtors assembled the Financial Information from the general ledgers of the Form 26 Reporting Entities. The Financial Information is generally maintained in accordance with U.S. GAAP.

The Financial Information is presented on an unconsolidated separate legal entity basis. In the ordinary course, NNI and NNCI do not record the equity earnings or losses among the Form 26 Reporting Entities on the individual general ledgers. The Financial Information as presented is adjusted to reflect the estimated equity in the earnings and losses of related entities as appropriate.

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts and results could differ from those estimates.

The accompanying Financial Information does not include all footnotes and certain financial presentations normally required by U.S. GAAP.

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Exhibit C.1
Description of Operations for Entities
held by Nortel Networks Inc.

Nortel Networks India International Inc.

Nortel Networks India International Inc., a wholly-owned subsidiary of NNI, acted as a supplier of hardware and software for contracts with certain Nortel customers in India. This company is no longer actively conducting business.

Nortel Technology Excellence Centre Private Limited

Tasman Networks Private Limited was acquired in 2006 as part of Tasman Networks, Inc., and subsequently renamed Nortel Technology Excellence Centre Private Limited. The company provided computer software and hardware and services including networking connectivity, systems engineering, product support, remote diagnostics, system integration, remote management and other related computer services for its only customer, NNI. NNI has a 99.01% ownership in the entity, while Nortel Networks Mauritius Ltd., a subsidiary of Nortel Networks Limited (“NNL”), holds the remaining 0.99%. This company is no longer actively conducting business.

B26 (Official Form 26) (12/08) – Cont.

Exhibit C.2

**Description of Operations for Entities
held by Nortel Networks (CALA) Inc.**

Nortel Networks de Guatemala, Ltda.

NNCI holds Q. 133,819.17 (98%) and NNL holds Q. 2,731 (2%) investment in local currency in Nortel Networks de Guatemala, Ltda. Nortel Networks de Guatemala, Ltda. sold telecommunications equipment and services. This company is not actively conducting business.