

The first creditors' meeting was held by the Administrators on March 11, 2009 – what happened?

A. The main purpose of this meeting was for the Administrators to present their 'Statement of Proposals' ("Proposals") to the meeting and ask the creditors to vote for their approval or otherwise. The Proposals envisaged that NNUK would continue to trade since the current view is that this will give the best chance of maximizing the outcome for creditors (including the Plan) while restructuring options are fully explored. The Proposals dealt with the background and circumstances leading up to the Administration and included an analysis of Nortel's business by product and geographic region. NNUK has no 'secured' creditors and employees are the main 'preferential' creditors in respect of salaries etc. The Plan is by far the largest 'non-preferential' creditor with a reported claim of £2Bn which represents the buyout cost of full Plan benefits with an insurance company. This is about 90% of the total creditors' claims.

The Proposals were approved by the creditors. Full details of the published Proposals can be found at http://www.ey.com/global/Content.nsf/UK/Nortel_administration and the same link should also lead to the official minutes of the meeting when published.

During the meeting the creditors opted to form a creditors' committee ("Committee") which must consist of between three and five creditors. The purpose of the Committee is to act as a consultative body and to assist the Administrator in the discharge of his functions. To fulfil its functions, the Committee may receive regular reports from the Administrator (under obligations of confidentiality) and is also responsible for determining the Administrator's remuneration. The first formal meeting of the Committee is expected towards the end of March and periodically thereafter. Committee decisions are made by a simple majority vote on the basis of one member one vote. It should be noted that any substantial matter or amendment to the Proposals will require the approval of the full body of creditors. Committee members are not paid, but will receive their reasonable travelling expenses as a cost of the Administration. The Committee consists of the Plan/PPF, Flextronics (major supplier), JDSU (major supplier), Invest NI (manufacturing development agency grants) and Kuehne & Nagel (logistics). Similar creditors' meetings will be held in all EMEA countries represented by the Administrators.

The next major development in the Administration process is likely to be driven by the announcement of Nortel's Global Restructuring plans when the Administrator will have to decide how the proposed restructuring will affect NNUK and hence how to secure the best possible result for creditors going forward.