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Jan 14, 2009, 7:46am PST

# Nortel files for bankruptcy

Nortel Networks Corp., which has a campus on Great America Parkway in Santa Clara, has filed for Chapter 11 bankruptcy protection and announced an amended agreement with Flextronics Inc.

The Toronto, Canada-based maker of telecommunications hardware had \$107 million in debts coming due this week. Nortel had been exploring bankruptcy for

more than a month.

Nortel's (NYSE:NT) business has cratered as telecommunications carriers cut spending to deal with the recession. Nortel booked a \$3.4 billion loss in the third quarter, compared with a \$27 million profit in Q3 2007.

Its share price was down more than 97 percent in 2008, and has been stuck below a dollar per share for weeks. The New York Stock Exchange issued a delist warning notice to Nortel last month for having a share price below the \$1 minimum threshold.

"Nortel must be put on a sound financial footing once and for all," said Nortel President and CEO Mike Zafirovski. "These actions are imperative so that Nortel can build on its core strengths and become the highly focused and financially sound leader in the communications industry that its people, technology and customer relationships show it ought to be."

The application under the CCAA will be heard by the Ontario Superior Court of Justice. The voluntary petitions under Chapter 11 were filed with the United States Bankruptcy Court for the District of Delaware. Nortel expects to be in a position shortly to provide an update regarding the consequential filings by certain of its EMEA subsidiaries.

Nortel affiliates in Asia, including LG Nortel and in the Caribbean and Latin America, as well as the Nortel Government Solutions business, are not included in the proceedings and are expected to continue to operate in the ordinary course, the company said.

In addition, the company will request the courts to impose certain restrictions on trading common shares and Nortel Networks Limited's preferred shares in order to preserve tax assets in the United States.

The company also announced that NNL has entered into an amendment to arrangements with its key supplier, Singapore-based Flextronics Inc., which has U.S. headquarters in San Jose. "These amendments give NNL confidence that Flextronics will continue to maintain the supply chain following commencement of the proceedings noted above. Under the terms of the amendment, NNL has agreed to purchase \$120 million of existing inventory by July 1, 2009 and to make quarterly purchases of other inventory and to terms relating to payment and pricing ... Certain arrangements with Flextronics will terminate in July of 2009 as a result of the exercise by Flextronics of its termination rights under such agreement, while the other arrangements between the parties will continue in accordance with their terms, as amended."

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