

**Minutes of the fourth meeting of the informal committee of Phones 4u Finance plc's senior secured noteholders (the "Committee").**

Date: Wednesday 8 July 2015

Time: 10:00am (New York), 3:00pm (London)

Attendees: Ian Green (PwC)

Paul Copley (PwC)

Jason Higgs (PwC)

Michael Renoff (Scoggin Capital Management)

Samir Arora (Stonehill Investment Management)

Colbert Cannon (Wingspan Investment Management)

Peter Scott (Cyrus Capital Partners – by phone)

The meeting was opened by Ian Green and Paul Copley and the below agenda items were listed;

**1. Introductions**

It was explained that the administrators did not consider that any material information would be discussed during the meeting but that the Committee would need to form their own assessment. The restrictions on the information which can be shared with the Committee due to their being public were discussed. It was explained that the administrators were taking a cautious approach regarding what information to share with the Committee and the Committee confirmed that they considered that approach to be appropriate.

**2. Update since May 1 call**

*General trading*

The Committee was reminded of previous communications from the 1 May update call. In the period that has subsequently elapsed, the retention of title claim with regards to the remaining Nokia stock has been settled in favour of Phones 4U Limited ("P4U") and liquidated with proceeds within the estimated rate disclosed on 1 May. In addition to this, £1.0m of proceeds have now been realised through the sale of accessory stock by John Pye Auctions. A very limited amount of accessory stock remains to be sold.

The operational costs with regards to property and the payroll of the retained P4U team members remains in line with guidance issued on the 1 May call.

*Recovery of Mobile Network Operator ("MNO") receivables*

Very limited further information with regards to MNO receivables was able to be discussed. The Committee was informed that communications continue between the administration with the aid of the retained P4U team and the two remaining MNOs from which the company is contractually entitled to receive commissions.

*Investigations*

The restrictions on the ability to discuss Quinn Emmanuel Urquhart & Sullivan, LLP's findings with the Committee were discussed. It was also noted that the progress of this work had been discussed with those Bondholders who had entered into confidentiality agreements ("the Private Bondholders") (as previously disclosed on the administration's website).

### *Policy Administration Services Limited (“PAS”)*

The Committee were informed that the insurance business continued to perform as previously indicated both with regards to costs and the expected attrition rate of the customer base.

#### *Preferential creditors vote*

It was explained that the process required to issue a notice to preferential creditors to allow the population to vote on administrators’ fees was in an advanced state and the notices would be issued in the coming weeks. It was also likely that a distribution to preferential creditors could follow shortly after. The expected aggregate value of such a distribution remains within the previously indicated range.

#### *VAT*

In May we disclosed that we had written to HMRC in order to seek formal clearance with regards to the treatment of VAT in relation to MNO commissions (one of two VAT items where the administration is seeking clarification). In the intervening period HMRC has requested further formal written information with regards to the other material VAT item, the treatment of VAT on bills of exchange. This second letter is in an advanced state of preparation and subject to clarification of a number of remaining facts is expected to be issued to HMRC in the coming weeks. The administrators’ assessment of what the correct treatment is for both items remains unchanged.

#### *Revolving Credit Facility (“RCF”) lenders repaid*

It was confirmed that the RCF lenders had, through a right of set off mechanism, extracted sufficient cash from the estate to settle their outstanding balances. In addition cash was set off to the extent of the letters of credit issued by the lenders in conjunction with the insurance business. Further, the Security Trustee had retained £11m during the same process. £10m of this sum is being held by the Security Trustee as cover for potential future claims and £1m will be transferred to the replacement Senior Notes Trustee (“SNT”) to be held in trust covering potential future claims.

#### *SNT replacement progress*

It was communicated that it is expected that a process to replace the existing SNT will be implemented shortly.

### **3. Administrators fee approval**

#### *Fee proposal status*

Paul Copley reminded the Committee of its informal approval to pay 80% of the administrators’ fees incurred to 30 November 2014 as accrued on a time basis. Previously it was also agreed that the administrators would revert to the Committee with a proposal for fees in the areas of VAT, PAS, MNO receivables and Investigations at a later date. A proposal has subsequently been discussed with the Private Bondholders. Further consideration is required with regards to certain elements of the proposal following this discussion. Full details of this proposal were unable to be discussed with the Committee because of the restriction on sharing certain information. However Paul Copley explained that the administrators proposed that work completed on VAT and PAS should also be accrued and paid on a standard time basis and the alternative fee proposals would be developed with regards to just MNO receivables and Investigations.

### **4. Looking forward**

#### *Distributions – secured creditors*

The guidance provided on the 1 May call was reiterated.

### *Extension of administration applications*

The Committee was informed of the process currently being undertaken to obtain an extension to the length of the administrations of companies within the security net beyond the first anniversary.

### *12 months progress report*

The 12 month progress report will be produced earlier than initially indicated in order to support the application to the courts for an extension of the administrations.

### *Timing of next Committee meeting*

The exact date of the next meeting was not confirmed although it was agreed that the autumn may be an appropriate time.

## **5. Any other business**

Nothing further was discussed.

### **Phones 4U Finance plc (in administration)**

Robert Jonathan Hunt, Ian David Green and Robert John Moran have been appointed as joint administrators of Phones 4u Limited, Life Mobile Limited, 4u Wi-Fi Limited, 4u Limited, Jump 4u Limited, MobileServ Limited, Phosphorus Acquisition Limited, Phones 4U Group Limited and Phones4u Finance Plc, to manage their affairs, business and property as their agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Dan Yoram Schwarzmann, Douglas Nigel Rackham, Robert Jonathan Hunt and Ian David Green have been appointed as joint administrators of Policy Administration Services Limited to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.