

Nortel Networks – Allocation Trial – Summary of June 6th, 2014

The 14th day of the allocation trial continued with the expert witnesses of the Canadian interests, including the continuation of the cross-examination of Philip Green and Thomas Britven, the CCC's expert witness testified.

The cross-examination of Philip Green continued briefly for the morning in Wilmington. Mr. Green was cross-examined by the UK pension claimants (UKPC) regarding the assumptions in his report and his interpretation of the ownership rights of the parties.

Thomas Britven, the expert witness retained by the CCC, testified in Wilmington. Mr. Britven's expert report provided an opinion on four issues:

1. the share of the sales proceeds each Nortel debtor group should receive based on the value of the assets owned and/or relinquished by its constituent Nortel debtors in the sales;
2. the recovery each key creditor group would receive under the ownership approach;
3. in the alternative to the ownership approach, the share of the proceeds each Nortel debtor group would receive under the pro rata allocation approach; and,
4. for comparison purposes, what the share of sales proceeds each Nortel debtor group would receive and the implied recoveries for each key creditor group based on the various positions of the core parties.

In responding to the first question, Mr. Britven concluded that Canada should receive 79% of the \$7.3 billion sales proceeds; the EMEA Debtors should receive 7% and the US Debtors should receive 14%. In responding to his second question, Mr. Britven concluded that based on the recovery to estates in the first question, as a result of intercompany claims, the guaranteed bonds would recover 100% of their claim; the US creditors would recover 95% of their claim; the Canadian creditors would recover 58.7% of their claims; EMEA creditors would recover 26.5% of their claims and the UKPC would recover 43.7% of their claims.

Under the CCC's alternative pro rata position, Mr. Britven concluded that each creditor would receive an estimated 71.2% based on assumptions regarding treasury cash positions and claims. Mr. Britven presented a set of demonstratives slides which may be accessed at: <https://kmlaw.ca/wp-content/uploads/2016/07/Britven-Demonstratives.pdf>

Based on the claims data Mr. Britven used in the ownership and pro rata approaches, he applied the positions of the other parties and determined that the Canadian creditors would recover 61% under the Monitor's ownership approach; 11% under the US interests revenue approach; 11% under the license approach of the EMEA Debtors or 25% under their alternative contribution approach.

Mr. Britven was cross-examined by the US Debtors regarding the assumptions he made in providing his report, including with respect to the value of licenses surrendered by license participants in the business sales. Mr. Britven was cross-examined by the EMEA Debtors regarding his assumptions of the treasury position of debtors and the various creditor claims. The UKPC also cross-examined Mr. Britven regarding his assumptions on claims as well as his understanding of the Canadian interests' ownership position and what that meant for allocation to creditors.

The allocation trial is on break next week and will resume for the last two weeks on June 16, 2014. The courts will hear from a few more expert witnesses on behalf of the Canadian interests and the evidentiary portion of the trial will finish with the US expert witnesses.