

NII HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS IN LIQUIDATION

***As of and for the Years Ended December 31, 2021 and 2020
(in liquidation)***

And Report of Independent Auditor

NII HOLDINGS, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Net Assets in Liquidation 3

Consolidated Statements of Changes in Net Assets in Liquidation..... 4

Notes to the Consolidated Financial Statements..... 5-16

Report of Independent Auditor

To the Board of Directors
NII Holdings, Inc.
Reston, Virginia

Opinion

We have audited the accompanying consolidated financial statements of NII Holdings, Inc. and subsidiaries (the "Company") (a Delaware corporation), which comprise the consolidated statements of net assets in liquidation as of December 31, 2021 and 2020, and the related consolidated statements of changes in net assets in liquidation for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net assets in liquidation of NII Holdings, Inc. as of December 31, 2021 and 2020, and the changes in net assets in liquidation for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

As discussed in Note 1 to the consolidated financial statements, as a result of the closing of the sale of Nextel Brazil on December 18, 2019 and the previous approval of a plan of dissolution by the Company's stockholders, the Company determined that liquidation was imminent. Accordingly, the Company's consolidated financial statements are prepared on the liquidation basis of accounting. Generally accepted accounting principles require financial statements to be prepared on the liquidation basis of accounting when an entity is in liquidation or when liquidation is imminent. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Chung Berkant LLP

Tysons Corner, Virginia
May 2, 2022

NII Holdings, Inc.
Consolidated Statements of Net Assets in Liquidation
(in thousands, except per share amount)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	\$ 22,537	\$ 164,298
Restricted cash	53,476	117,154
Receivables	-	5,000
Accounts payable and accrued expenses	(550)	(3,009)
Accrued liquidation costs, net	<u>(4,088)</u>	<u>(7,191)</u>
Net assets in liquidation	<u><u>\$ 71,375</u></u>	<u><u>\$ 276,252</u></u>
Number of Common Shares outstanding	104,483	104,483
Net assets in liquidation per share	\$ 0.68	\$ 2.64

NII Holdings, Inc.
Consolidated Statements of Changes in Net Assets in Liquidation
For the years ended December 31, 2020 and 2021
(in thousands, except per share amount)

Net Assets in Liquidation as of December 31, 2019	\$ 275,393
Changes due to remeasurement of assets and liabilities:	
Increase due to settlement with AT&T	5,000
Increase due to settlement with AI Brazil	1,855
Decrease due to decline in market interest rates	(2,083)
Decrease due to changes in estimates of expected future costs	<u>(3,913)</u>
Net Assets in Liquidation as of December 31, 2020	<u>\$ 276,252</u>
Changes due to remeasurement of assets and liabilities:	
Decrease due to liquidating dividend	(199,562)
Decrease due to settlement with Mexican Tax Authority	(4,005)
Decrease due to changes in estimates of expected future costs	<u>(1,310)</u>
Net Assets in Liquidation as of December 31, 2021	<u><u>\$ 71,375</u></u>

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 1 – Basis of Presentation

Overview

Unless the context requires otherwise, “NII Holdings, Inc.,” “NII Holdings,” “NII,” “we,” “our,” “us”, and “the Company” refer to the combined businesses of NII Holdings, Inc. and its consolidated subsidiaries. Prior to the sale of our Brazilian operating company, NII Holdings was a provider of wireless communication services under the Nextel brand in Brazil.

Sale of Nextel Brazil

On June 27, 2019, NII Holdings’ stockholders approved the sale of its wireless operations in Brazil (“Nextel Brazil” and such sale, the “Transaction”) to America Movil, S.A.B. de C.V. (“AMX”), pursuant to which NII Holdings and AI Brazil Holdings B.V. (“AI Brazil”), would sell their jointly-owned wireless operations in Brazil. In addition, on June 27, 2019, NII Holdings’ stockholders approved a plan of dissolution, whereby NII Holdings and all of its subsidiaries will be wound up and fully dissolved.

On December 18, 2019, NII completed the sale of Nextel Brazil in accordance with the terms of the Purchase Agreement, dated March 18, 2019, by and among AMX, NII International Holdings S.à r.l. (“NIIH”), AI Brazil and NII (the “Purchase Agreement”), as amended from time to time.

At the closing of the Transaction, AI Brazil sold all of its interests in Nextel Holdings S.à r.l. (“Nextel Holdings”) to NII Brazil Holdings S.à r.l. (“NIIBH”), and NIIH sold all of the issued and outstanding shares of NIIBH to AMX, resulting in AMX acquiring direct ownership of NIIBH and indirect ownership of all of the issued and outstanding shares of Nextel Brazil. The aggregate purchase price was \$948.5 million, after making adjustments pursuant to the Purchase Agreement to add a \$30.3 million reimbursement of capital expenditures and a \$16.9 million working capital adjustment and to deduct a \$3.7 million selling and marketing spending shortfall compared to budget. After deducting \$491.6 million of net debt, the net purchase price at closing was \$456.9 million.

In consideration for the sale of its 27.55% ownership interest in Nextel Brazil, AI Brazil received a \$2.5 million preferred return and its \$125.2 million pro rata share of the net purchase price. After deducting these amounts, NII’s share of the net purchase price was \$329.2 million.

Pursuant to the terms of the Purchase Agreement, \$30.0 million of the net proceeds due to NII was placed into an 18-month escrow account to secure NII’s indemnification obligations under the Purchase Agreement with AMX, with Citibank, N.A. as escrow agent (the “Brazil Transaction Escrow”).

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 1 – Basis of Presentation (continued)

Also, on December 18, 2019, in connection with the Transaction, pursuant to the indenture for its convertible notes, NII was required to fund an escrow account in the amount of \$134.8 million from the net proceeds of the Transaction (the “Notes Escrow”) in order to satisfy NII’s obligations related to the convertible notes. Refer to Note 4 for additional information.

After taking into account the amounts placed into the Brazil Transaction Escrow and the Notes Escrow and accounting for a \$1.9 million upward adjustment for a decrease in estimated accrued tax contingencies pursuant to the Purchase Agreement, the net proceeds to NII were \$166.3 million.

Under the terms of the Purchase Agreement, AMX was entitled to a 45-day period to review the purchase price and related purchase price adjustments. AMX notified NII of certain potential differences between its calculation of the purchase price as compared to the estimated calculations performed by NII. On March 31, 2020, NII, AMX, and AI Brazil entered into a letter agreement whereby the parties agreed that AMX would make an additional payment of approximately \$128 thousand to NII. Upon the making of the payment, as well as a final payment from AMX to AI Brazil, the purchase price is final and not subject to further adjustment.

NII Holdings had also agreed to indemnify AI Brazil for damages that may arise from certain tax contingencies, transaction expenses, transaction-related litigation, and other matters in connection with its participation in the Transaction.

Plan of Dissolution

On January 13, 2020 we filed a certificate of dissolution (the “Certificate of Dissolution”) with the Secretary of State of the State of Delaware, as contemplated by the Plan of Complete Liquidation and Dissolution (the “Plan”) previously approved by NII’s Board of Directors and our stockholders. The Certificate of Dissolution became effective at 4:00 p.m. Eastern Time on January 13, 2020 (the “Effective Time”), and thus the Company has been dissolved under the General Corporation Law of the State of Delaware (the “DGCL”) and the period for winding up the Company’s affairs has begun. NII intends to follow the safe harbor procedures provided under Section 280 of the DGCL.

In connection with the filing of the Certificate of Dissolution, effective as of the Effective Time, the Company closed its stock transfer books and discontinued recording transfers of its common stock, par value \$0.001 (the “Common Stock”). Holders of the Common Stock are no longer able to transfer record or beneficial ownership of the Common Stock, other than transfers by will, intestate succession or operation of law.

The Company provided notice to all persons who may have a claim against the Company pursuant to Sections 280(a)(1) and 280(b)(1) of the DGCL, and the notice period for claims to be received by the Company expired on April 3, 2020.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 1 – Basis of Presentation (continued)

On October 8, 2020, in furtherance of the Plan, filed a Verified Petition for Dissolution (the “Petition”) in the Court of Chancery of the State of Delaware (the “Delaware Court”). The Petition was filed pursuant to the dissolution and claims process outlined in Section 280 of the DGCL.

The Petition, pursuant to 8 Del. C. Section 280(c), petitions the Delaware Court for an order determining the amount and form of security that will be reasonably likely to be sufficient to provide compensation for (i) claims that are the subject of a pending action, suit, or proceeding to which the Company is a party; (ii) claims of any claimant who has rejected the offer for security made by the Company; and (iii) claims that have not been made known to the Company or that have not yet arisen but that, based on facts known to the Company, are likely to arise or become known within five years after the date of dissolution of the Company.

As detailed in the Petition, only one claimant rejected the offer of security made by NII. On or about April 3, 2020, NII received a claim from AT&T Mobility Holdings B.V.; New Cingular Wireless Services, Inc.; Nextel International (Uruguay) LLC; and Comunicaciones Nextel de México, S.A. de C.V. (collectively, “AT&T”), asserting potential contingent contractual claims based on certain on-going contractual indemnification obligations for tax liabilities attributable to periods preceding the sale of NII’s Mexican operations pursuant to the applicable purchase agreement. On June 1, 2020, less than 90 days after receipt of such claim, NII sent a letter to AT&T that constituted an offer of security pursuant to 8 Del. C. Section 280(b)(2). Through the offer of security letter, NII offered (i) \$0.00 as security for certain claims that relate to either tax liabilities that have been settled with the Mexican government and paid to AT&T from the indemnification escrow funded in connection with the sale of NII’s Mexican operations (the “Mexico Sale Escrow”) or potential future audits for which the statute of limitations for such audits has expired, and (ii) \$18.7 million for certain claims, as specified therein, with \$17.5 million of this amount held in the Mexico Sale Escrow, which NII determined to be sufficient to provide compensation to AT&T if such claims mature. In a letter dated September 28, 2020, AT&T rejected NII’s offer of security as inadequate to address AT&T’s claims set forth in the letter to NII dated April 3, 2020.

Subsequent to filing the Petition, on January 12, 2021, NII reached agreement with AT&T related to the amount of security needed to secure AT&T’s contingent contractual claims in NII’s dissolution proceedings (the “Settlement”). The Settlement resolves the amount of security to be reserved for AT&T pursuant to the dissolution proceedings in the Delaware Court, among other things, as discussed further in Note 5 below. The Settlement provides AT&T with \$75.0 million of security for its claims in the dissolution proceedings to be held in an escrow account (the “New Escrow Account”). Funds will be released from the New Escrow Account and the amount of security reserved in the dissolution proceedings will be reduced as seven Mexican tax audits are resolved. In addition, the first \$3.0 million released from the New Escrow Account will be held by NII as additional security that may be available to AT&T in the event that the New Escrow Account is exhausted.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 1 – Basis of Presentation (continued)

As discussed above, on December 18, 2019, NII closed the sale of NII's Brazilian operations to AMX. As part of that sale, \$30.0 million of the net sale proceeds due to NII was placed into the Brazil Transaction Escrow to secure NII's indemnification obligations (the "Contingent Contractual Obligations") under the Purchase Agreement with AMX. On or about April 2, 2020, NII received a claim from AMX asserting several claims in addition to the Contingent Contractual Obligations. On May 20, 2020, less than 90 days after receipt of such claim, NII sent a letter to AMX that offered \$30.0 million as security to AMX for the Contingent Contractual Obligations and rejected the other claims (the "Rejected Claims"). NII did not receive a response from AMX with respect to its offer of security with respect to the Contingent Contractual Obligations, and AMX did not institute an action suit or proceeding with respect to the Rejected Claims by September 17, 2020, the 120th day after the mailing of the notice of rejection and offer of security and, therefore, AMX is deemed to have accepted NII's offer of security with respect to the Contingent Contractual Obligations pursuant to 8 Del. C. Section 280(b)(2) and the Rejected Claims are barred pursuant to 8 Del. C. Section 280(a)(4).

As of November 30, 2020, NII had \$287.0 million of total assets, including funds held in escrow. In the Initial Distribution Motion, NII requested that the Delaware Court approve an aggregate of \$125.7 million as sufficient to provide security for all of its known and unknown claims (the "Proposed Reserve"). This Proposed Reserve is comprised of \$75.0 million related to potential contingent contractual claims from AT&T; \$30.0 million related to the Contingent Contractual Obligations with respect to AMX; \$2.4 million related to other known claims; \$3.0 million related to potential claims that have not been made known to NII or that have not yet arisen (the "Unknown Claims Reserve"); and \$15.3 million of wind down costs and expenses, which includes a \$5.0 million reserve for potential additional tax, accounting and legal costs, and potential additional personnel costs that could be incurred in connection with the dissolution, if more effort is required than currently expected.

On January 15, 2021, NII filed a Motion for a Distribution to Stockholders and for Approval of Reserves (the "Initial Distribution Motion") in the Delaware Court. The Initial Distribution Motion was filed pursuant to the dissolution and claims process outlined in Section 280 of the DGCL. The Initial Distribution Motion requested the Delaware Court to enter an order granting NII's request to make an initial distribution of \$161.0 million (approximately \$1.54 per share) and to establish a reserve of \$125.7 million.

On March 16, 2021, the Delaware Court entered an order appointing a Guardian Ad Litem (the "GAL") to represent the interests of the unknown claimants and evaluate the sufficiency of the Unknown Claims Reserve.

On March 22, 2021, the Delaware Court entered an order approving certain reserve amounts and barring certain claims. Specifically, the Delaware Court approved all amounts in the Proposed Reserve, with the exception of the Unknown Claims Reserve, as that amount was subject to the ongoing review of the GAL. In addition, the order barred AMX from asserting any additional claims beyond the \$30.0 million for the Contingent Contractual Obligations.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 1 – Basis of Presentation (continued)

On September 2, 2021, the GAL filed a report with the Delaware Court (the “GAL Report”). The GAL Report concluded, among other things, that an Unknown Claims Reserve of \$3.0 million is adequate as a reasonable reserve for NII’s unknown claimants.

On September 8, 2021, the Delaware Court entered an order approving the Unknown Claims Reserve of \$3.0 million. As a result, on September 9, 2021, NII filed a motion to amend certain reserve amounts and for an increase to the first liquidating distribution from \$161.0 million to \$200.1 million to include additional amounts that became available for distribution since the filing of the Initial Distribution Motion.

On September 14, 2021, the Delaware Court entered an order approving NII’s request to make an initial liquidating distribution of up to \$200.1 million to its stockholders. As a result, on September 14, 2021, NII’s Board of Directors declared a liquidating distribution to its stockholders of record as of September 20, 2021 in the aggregate amount of \$199.6 million (or \$1.91 per share) (the “First Liquidating Distribution”).

NII completed the First Liquidating Distribution on September 20, 2021.

The First Liquidating Distribution represents a partial distribution of the remaining assets of NII. Further information regarding the amount and timing of future potential liquidating distributions to NII’s stockholders will be provided as such information becomes available.

There can be no assurance as to the timing or amount of any additional distributions that NII may make as part of the dissolution process. The timing of distributions and ultimate amount distributable to stockholders will depend on factors outside of NII’s control, including, among other things, the amount of cash recovered from the New Escrow Account, and could vary from NII’s current estimates. Also, NII cannot predict the impact, if any, of the Covid-19 pandemic on the timing of future distributions, and it is possible that delays could result.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Liquidation Basis of Accounting

The Company adopted the liquidation basis of accounting, effective December 31, 2019. This basis of accounting is required when, among other things, liquidation of the Company is imminent, as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 205 “*Presentation of Financial Statements – Liquidation Basis of Accounting*”. As a result of the closing of the Transaction and the previous approval of the Plan by NII’s stockholders, liquidation became imminent on December 18, 2019. The consolidated statements of net assets and the consolidated statements of changes in net assets are the principal financial statements presented under the liquidation basis of accounting. Although liquidation became imminent on December 18, 2019, the Company applied the liquidation basis of accounting as of December 31, 2019.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Under the liquidation basis of accounting, all of the Company's assets are stated at their estimated net realizable value. All liabilities of the Company have been stated at contractual amounts and estimated liabilities are stated at their estimated settlement amounts, including estimated costs associated with completing the Plan. These amounts are presented in the accompanying consolidated statements of net assets. These estimates are periodically reviewed and adjusted as appropriate. The valuation of assets at their net realizable value and liabilities at their anticipated settlement amount represent estimates, based on present facts and circumstances, of the net realizable value of the assets and the costs associated with carrying out the Plan. The actual values and costs associated with carrying out the Plan are expected to differ from amounts reflected in the accompanying consolidated financial statements because of inherent uncertainty related to the contingent nature and timing of the Plan. These differences may be material. In particular, the estimates of our costs will vary with the length of time necessary to complete the Plan, as well as with the amounts that we are ultimately able to recover from escrow accounts. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to stockholders and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying consolidated statements of net assets.

Principles of Consolidation

The consolidated financial statements include the accounts of NII Holdings and our wholly-owned subsidiaries.

Use of Estimates

In preparing the consolidated financial statements in conformity with GAAP, including the liquidation basis of accounting, management is required to make estimates and assumptions that affect the reported amounts of assets, including net assets in liquidation, and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less at the date of purchase, including certain money market funds.

Income Taxes

In conjunction with the preparation of the consolidated financial statements under the liquidation basis of accounting, all deferred tax assets were determined to not have any value as we do not anticipate generating taxable income in future periods. In addition, we have not incurred, and do not anticipate incurring, any income tax liabilities, as we have historically generated significant taxable losses and will continue to generate losses through our dissolution.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent Events

We evaluate all subsequent events through the date the consolidated financial statements are issued to determine whether any adjustments or additional disclosures should be made to the consolidated financial statements.

Note 3 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include all liabilities related to goods or services already received. Accounts payable and accrued expenses included the following as of December 31, 2021 and 2020 (amounts in thousands):

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	\$ 80	\$ 82
Accrued severance	114	2,118
Employee related accruals	323	596
Other	33	213
	<u>\$ 550</u>	<u>\$ 3,009</u>

Note 4 – Debt

In August 2018, we privately placed \$100.0 million aggregate principal amount of 4.25% convertible senior notes due 2023 (the “Notes”). We also granted the initial purchaser an option to purchase up to an additional \$15.0 million principal amount of convertible senior notes, which was exercised in full. As a result, NII Holdings issued a total of \$115.0 million principal amount of Notes at par for total gross proceeds of \$115.0 million.

On December 18, 2019, in connection with the Transaction, NII entered into a First Supplemental Indenture (the “Supplemental Indenture”), to the Indenture, dated August 14, 2018, between NII and Wilmington Trust, National Association, as trustee (the “Indenture”), that governs the Notes. Pursuant to the Supplemental Indenture, NII irrevocably elected cash settlement as the settlement method for any conversion of the Notes.

In addition, NII entered into an Escrow Agreement with Wilmington Trust, National Association, as escrow agent and as trustee, pursuant to which NII funded the Notes Escrow in the amount of \$134.8 million from the net proceeds of the Transaction pursuant to Section 11.04 of the Indenture in order to satisfy NII’s obligations under the Notes and the Indenture.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 4 – Debt (continued)

The completion of the Transaction constituted a Fundamental Change and a Make-Whole Fundamental Change, as defined in the Indenture. As a result, NII commenced an offer to repurchase (the “Repurchase Offer”), at the option of each holder, any and all of the outstanding Notes. Holders had the right to exercise their option to require NII to repurchase for cash all of such holder’s Notes, on or before January 21, 2020 at a repurchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon. On January 21, 2020, a total of \$2.0 million of the Notes was tendered pursuant to the Repurchase Offer and NII accepted for repurchase and paid for the Notes that were tendered using funds held in escrow related to the Notes Escrow.

On February 5, 2020, NII commenced a tender offer (the “Tender Offer”) to purchase up to \$103.1 million aggregate principal amount (the “Maximum Tender Amount”) of the Notes. As of February 4, 2020, there were \$113.0 million aggregate principal amount of the Notes outstanding. Upon the terms and subject to the conditions set forth in the Company’s Offer to Purchase, dated February 5, 2020, as supplemented and amended on February 18, 2020, (the “Offer to Purchase”), the Company offered to pay, in cash, an amount equal to \$1,090 per \$1,000 principal amount of Notes purchased, plus accrued and unpaid interest from the last interest payment date on the Notes to, but not including, the date of payment for the Notes accepted in the Tender Offer. The Tender Offer expired at 11:59 p.m., New York City time, on March 4, 2020. As of the expiration date on March 4, 2020, a total of \$84.3 million aggregate principal amount of Notes was validly tendered and NII accepted for purchase all of these validly tendered Notes. NII paid \$92.1 million, using funds from the Notes Escrow, for the purchase of the Notes, including accrued interest.

Subsequent to the Tender Offer in April 2020, the Company repurchased the remaining \$28.7 million aggregate principal amount of Notes in private repurchase transactions. The Company paid a total of \$31.7 million, including accrued and unpaid interest, to repurchase these Notes. As of April 24, 2020, all of the Notes had been repurchased.

Note 5 – Restricted Cash

Restricted cash was comprised of the following as of December 31, 2021 and 2020 (amounts in thousands):

	December 31, 2021	December 31, 2020
Mexico Sale Escrow	\$ 53,476	\$ 87,062
Brazil Transaction Escrow	-	30,092
	<u>\$ 53,476</u>	<u>\$ 117,154</u>

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 5 – Restricted Cash (continued)

Mexico Sale Escrow

On April 30, 2015, NII Holdings, together with our wholly-owned subsidiary NIU Holdings LLC (“NIU”), completed the sale of our Mexican operations to New Cingular Wireless, an indirect subsidiary of AT&T. The transaction was structured as a sale of all of the outstanding stock of the parent company of Comunicaciones Nextel de Mexico, S.A. de C.V., or Nextel Mexico, for a purchase price of \$1.875 billion, including \$187.5 million deposited in the Mexico Sale Escrow to satisfy potential indemnification claims.

In July 2018, the tax audits related to Nextel Mexico’s main operating company’s income tax returns for the years 2010 and 2011 were finalized, and we filed amended tax returns. We settled the tax liabilities associated with these tax audits utilizing existing tax credits, with the exception of \$4.0 million that we paid utilizing cash held in escrow. In March 2019, the tax audit related to Nextel Mexico’s main operating company’s income tax return for the year 2013 was finalized with no cash taxes due, and we filed an amended tax return. In June 2019, the tax audit related to Nextel Mexico’s main operating company’s income tax return for the year 2012 was finalized, and we filed an amended tax return. We settled the tax liabilities associated with this tax audit utilizing \$2.7 million of cash held in escrow. As a result, of the \$72.4 million in combined claims relating to the tax audits of the years 2010, 2011 and 2012 for Nextel Mexico’s main operating company, we had requested that New Cingular Wireless agree to the release of \$65.8 million from escrow.

New Cingular Wireless disagreed with our interpretation of the escrow and purchase agreements related to the timing of release requirements for escrowed funds. On February 11, 2019, NIU initiated review of this matter by the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), that approved the transaction with New Cingular Wireless in connection with our emergence from Chapter 11 bankruptcy and, on March 25, 2019, we filed a claim against New Cingular Wireless to recoup the \$68.3 million (now revised to \$65.8 million) from the Mexico Sale Escrow in a lawsuit captioned *NIU Holdings LLC v. AT&T Mobility Holdings, B.V.; New Cingular Wireless Services, Inc.; Nextel International (Uruguay) LLC; and Comunicaciones Nextel de Mexico S.A. de C.V., Case No. 15-10155, Adv. Pro. No. 19-01099 (SCC)*. On July 22, 2019, we filed a motion supporting our request for summary judgment, and on the same day, New Cingular Wireless filed a motion supporting its request for a judgment on the pleadings. A hearing on these matters was held on September 5, 2019. On October 14, 2020, the Bankruptcy Court issued a decision (the “Decision”) that granted NIU’s motion for summary judgment related to this matter. The Decision stated that NIU is entitled to the immediate disbursement of \$65,800,288 held in the Mexico Escrow, plus prejudgment interest at 9% per annum commencing on the respective dates when certain tax audits were indisputably final. The Bankruptcy Court directed the parties to submit an order consistent with its Decision, and AT&T took an appeal from the Decision.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 5 – Restricted Cash (continued)

Subsequent to the Decision, on January 12, 2021, NII and AT&T entered into a settlement agreement (the “Settlement”). The Settlement resolves the amount of security to be reserved for AT&T pursuant to the dissolution proceedings in the Delaware Court (see Note 1 for more information), as well as the open matter regarding the release of the funds from the Mexico Sale Escrow before the Bankruptcy Court. The Settlement provides AT&T with \$75.0 million of security for its claims in the dissolution proceedings to be held in the New Escrow Account. The New Escrow Account will be funded by \$70.0 million from the Mexico Sale Escrow and \$5.0 million that AT&T will pay to NII in full settlement of the interest awarded by the Decision (the “Settlement Payment”). Funds will be released from the New Escrow Account and the amount of security reserved in the dissolution proceedings will be reduced as seven Mexican tax audits are resolved. In addition, the first \$3.0 million released from the New Escrow Account will be held by NII as additional security that may be available to AT&T in the event that the New Escrow Account is exhausted. The balance of the Mexico Sale Escrow, approximately \$17.1 million, was released to NII in January 2021. Also, although the Settlement was executed subsequent to December 31, 2020, the Settlement Payment has been recognized as a receivable in the consolidated statement of net assets as of December 31, 2020 due to the application of the liquidation basis of accounting.

During June 2021, two of the seven Mexican tax audits were resolved, and as a result, \$6.5 million of the New Escrow Account was released to NII on June 14, 2021 at the joint direction of AT&T and NII. Separately, \$4.0 million of the New Escrow Account was released to AT&T to fund a payment to the Mexican government related to the settlement of one of the other seven audits, and as a result, net assets in liquidation decreased by \$4.0 million during 2021.

During September 2021, an additional Mexican tax audit was resolved, and as a result, \$5.2 million of the New Escrow Account was released to NII on September 7, 2021 at the joint direction of AT&T and NII.

During November 2021, an additional Mexican tax audit was resolved, and as a result, \$5.9 million of the New Escrow Account was released to NII on December 1, 2021 at the joint direction of AT&T and NII.

As a result, as of December 31, 2021, \$53.5 million remains in the New Escrow Account, which relates to the final three of the seven Mexican tax audits.

There can be no assurance as to the outcome of the foregoing tax audits or indemnity claims or as to the ultimate timing of the release of the remaining escrow.

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 5 – Restricted Cash (continued)

In addition, in connection with the Transaction, NII Holdings and AI Brazil entered into an agreement relating to the resolution of a dispute regarding the investment of funds received from the Mexico Sale Escrow. Under this agreement, the parties agreed that AI Brazil would receive the first \$10.0 million recovered from the Mexico Sale Escrow followed by 6% of the value of additional funds recovered, in both cases, if and when funds are released. As of December 31, 2019, we accrued \$14.6 million related to this agreement. In June 2020, NII entered into an agreement with AI Brazil, whereby NII paid \$12.75 million to AI Brazil in full settlement of this obligation and both parties released each other from any future claims. Accordingly, net assets in liquidation increased by \$1.9 million during the year ended December 31, 2020 as a result of this agreement with AI Brazil.

Brazil Transaction Escrow

As discussed in Note 1, in conjunction with the Transaction, \$30.0 million of the proceeds were placed into the Brazil Transaction Escrow to secure NII's indemnification obligations under the Purchase Agreement with AMX. AMX had until the 18-month anniversary of the closing date of the Transaction to assert any claims with respect to our indemnification obligations, which include certain tax matters among other terms.

As of June 18, 2021, AMX had not made any indemnification claims, and as a result, Citibank, N.A., as escrow agent, released the entire balance of the Brazil Transaction Escrow to NII, in the amount of \$30.1 million, which includes \$0.1 million of interest.

Notes Escrow

As discussed in Notes 1 and 4, in conjunction with the Transaction, \$134.8 million from the net proceeds of the Transaction was used to fund the Notes Escrow pursuant to Section 11.04 of the Indenture. During the year ended December 31, 2020, payments of \$128.3 million have been made using these escrowed funds related to the repurchases of Notes discussed in Note 4 above, as well as the February 15, 2020 coupon payment. After the repurchase transactions, there was approximately \$6.9 million remaining in the Notes Escrow, which was disbursed to NII on May 6, 2020.

Note 6 – Accrued Liquidation Costs, net

Accrued liquidation costs, net includes the following as of December 31, 2021 and 2020 (amounts in thousands):

	December 31, 2021	December 31, 2020
Estimated future interest income	\$ 5	\$ 14
Estimated future operating expenses	(4,093)	(7,205)
	<u>\$ (4,088)</u>	<u>\$ (7,191)</u>

NII Holdings, Inc.
Notes to the Consolidated Financial Statements as of and for the years ended
December 31, 2021 and 2020

Note 6 – Accrued Liquidation Costs, net (continued)

Estimated future interest income includes amounts anticipated to be earned related to both our cash and cash equivalents and our restricted cash. This amount is an estimate and can fluctuate as a result of changes in interest rates, changes in our assumptions with respect to timing and amount of escrow releases and timing and amount of future liquidating distributions, as well as other factors.

Estimated future operating expenses includes amounts anticipated to be spent on operating costs in future periods, including amounts related to employee costs, consulting expenses, legal fees, audit and tax compliance expenses, insurance costs, as well as costs related to the recovery of cash held in escrow. This amount is an estimate and can fluctuate as a result of changes in our assumptions with respect to the level of effort to complete the dissolution process and the level of effort related to the recovery of cash held in escrow, as well as other factors.

Note 7 – Legal Proceedings

On July 8, 2019, a purported stockholder class action was filed against the Company and the Company's directors in the Court of Chancery of the State of Delaware by Matis Nayman. The lawsuit is captioned *Matis Nayman v. Kevin L. Beebe, James V. Continenza, Howard S. Hoffmann, Ricardo Knoepfelmacher, Christopher T. Rogers, Robert A. Schriesheim, Steven M. Shindler, and NII Holdings, Inc., C.A. No. 2019-0525-JTL*. The complaint alleged, among other things, that the Company and its directors breached their fiduciary duties by failing to take steps to maximize the Company's value to its public stockholders and failing to disclose certain information in the proxy statement issued in connection with the Company's purchase agreement with AMX and AI Brazil and the Company's planned liquidation and dissolution. The relief sought by the plaintiff included enjoining the sale of Nextel Brazil and the dissolution of NII Holdings, and the recovery of unspecified damages. On September 17, 2019, the defendants filed a motion to dismiss, and on October 16, 2019, the plaintiff filed an amended complaint. On November 21, 2019, the defendants filed a motion to dismiss the amended complaint, and on January 21, 2020, the plaintiff filed an answering brief. On February 19, 2020, the defendants filed a reply brief in further support of their motion to dismiss the amended complaint. Oral arguments were heard by the Court of Chancery on May 5, 2020. On May 13, 2020, the Court of Chancery granted the defendants' motion to dismiss, and the plaintiff did not file an appeal.

In addition, while NII could be subject to other claims and legal actions that may arise in connection with its dissolution, the Company does not believe any future claim or legal action will have a material effect on the Company's financial condition.