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December 5, 2006

BY HAND DELIVERY

Honorable Richard M. Berman  
United States District Court  
Southern District of New York  
Daniel Patrick Moynihan United States Courthouse  
500 Pearl Street, Room 650  
New York, NY 10007

Re: *In re Nortel Networks Corp. Sec. Litig., 01 civ 1855 (RMB) ("Nortel I")*

Dear Judge Berman:

I write to advise the Court regarding an additional, untimely, objection received by the Claims Administrator.

I also wish to advise the Court that the third and last Canadian settlement hearing was held in Vancouver on November 27, 2006. Justice Groberman reserved decision.

With respect to the new objection, we submit that the objection is too late, is without merit and should be denied.

As the Court is aware, the deadline for submitting objections was September 19, 2006. All objections previously received were submitted to the Court for consideration.<sup>1</sup>

Enclosed is a copy of a Supplemental Affidavit Relating to Additional Late Exclusions and Objection (Fourth Report of Exclusions and Objections) from the Claims Administrator (the "Fourth GCG Report"). The original Fourth GCG Report is being filed with the Clerks office. Included in the Fourth GCG Report as Exhibit A is an objection from John D. Simon. Mr. Simon objects to the fact that the Class Period ended on February 15, 2001 and does not include his transaction made on February 16, 2001.

Mr. Simon asserts that, in addition to having written (sold) a put option on Nortel common stock during the Class Period, he wrote (sold) a put option on February 16, 2001, the day after the end of the Class Period. Mr. Simon would have the Court extend the Class Period to include his February 16, 2001 transaction.

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<sup>1</sup> See October 3, 2006 Affidavit of David A. Isaac Regarding Exclusion Requests and Objections Received for Nortel I (the "Initial GCG Report"), October 23, 2006 Supplemental Affidavit of David C. Isaac Relating to Late Exclusion Requests and Late Objections (the "Second GCG Report"), October 25, 2006 Affidavit of Randi Alarcon Collatta Relating to additional Responses to Objections Filed, and November 1, 2006 Supplemental Affidavit of Randi Alarcon Collatta Relating to additional Exclusions and Objections Filed.

As discussed in our response to other objections seeking to expand the Class Period,<sup>2</sup> the Nortel I Class Period properly ended on February 15, 2001 when, just after the market closed, Nortel publicly disclosed dramatically lowered income expectations.<sup>3</sup> This disclosure “cured the market” of the alleged inflation caused by defendants’ prior misrepresentation of greater income expectations. Transactions made after this curative disclosure cannot be said to have been made in reliance on such prior misrepresentations. *See, e.g., In re Interpublic Sec. Litig.*, 02-CV-5627, (DLC), 2003 WL 22509414, at \*5 (S.D.N.Y. Nov. 6, 2003) (a “curative press release [that] effected a complete “cure of the market” would require the court to “cut off the class period at that date.”) (citations and internal quotation marks omitted); *In re AM Int’l, Inc. Sec. Litig.*, 108 F.R.D. 190, 192 (S.D.N.Y. 1985) (press release that “cured the market” would “requir[e] the Court to cut off the class period at that date”).

The relevant inquiry is whether the new information would render it unreasonable for the investing public to continue to rely on the allegedly misleading disclosures. *See, e.g., In re Res. Am. Sec. Litig.*, 202 F.R.D. 177, 183 (E.D. Pa. 2001). The February 15, 2001 disclosure made it patently unreasonable to rely on the allegedly misleading October 24, 2000 press release. While Mr. Simon’s letter states that he made his February 16, put option sale “without . . . knowledge of Nortel’s announcement” he cannot claim to have relied on the prior alleged misrepresentation, without also being charged with knowledge of the curative disclosure.

Further, any losses resulting from transactions made after the curative disclosure cannot be said to have been “caused” by the alleged misrepresentation. *See e.g., Dura Pharm. Inc. v. Broudo*, 544 U.S. 336, 344-45 (2005). Any losses Mr. Simon sustained as a result of his February 16, 2001 transaction are not compensable from the Class’ Settlement Fund.

While Mr. Simon’s letter states that he made his February 16, put option sale “without . . . knowledge of Nortel’s announcement” the trades he listed<sup>4</sup> strongly suggest that he was at least aware of the market reaction to the announcement: His claimed first trade on February 8, 2001 was a sale of “Nortel Sep 30 (Exp 9/22/01)” puts, (that transaction will qualify for a claim in the Settlement), at that time the price of Nortel common was trading closely within the range of \$30 per share, the Strike Price of Mr. Simon’s put option. The claimed February 16, 2001 transaction was a sale of “Nortel Jan 20 (Exp 1/18/03)” on February 16, 2001 the price of Nortel had dropped precipitously and was trading within the range of \$20 per share, again the Strike Price of

<sup>2</sup> *See* Section III. A. 2. of Lead Plaintiff’s Reply Memorandum Of Law In Further Support Of Final Approval Of Settlement, Plan Of Allocation and Lead Counsel’s Application For An Award Of Attorneys’ Fees And Reimbursement Of Litigation Expenses (“Lead Plaintiff’s Reply Brief”), filed on October 4, 2006.

<sup>3</sup> On February 15, 2001, at 4:03 p.m., just after the close of trading on the New York Stock Exchange, defendants issued a press release over the *Business Wire*, suddenly and dramatically *lowering* the Company’s guidance for the first quarter and fiscal year 2001. The reaction in the marketplace was swift and punitive. Following the February 15, 2001 press release, Nortel’s stock price plunged 34% from its \$29.75 closing price on February 15, 2001 to trade as low as \$19.00 per share on February 16, 2001, on enormous trading volume in excess of 166 million shares, approximately five times the average daily volume during that period.

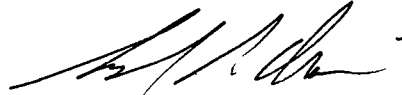
<sup>4</sup> Mr. Simon did not provide the prices at which he made his claimed transactions, nor did he provide any evidence of such claimed transactions.

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Mr. Simon's put option. This suggests that Mr. Simon saw the price decline and was hoping to profit from a rebound.

It is respectfully submitted that Mr. Simon's objection is both too late and without merit and should be overruled

Respectfully submitted,



Sanford P. Dumain

cc: All Counsel of Record  
Mr. John D. Simon