

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

LESLIE FROHLINGER

Plaintiff

- and -

NORTEL NETWORKS CORPORATION, JOHN ANDREW ROTH,
FRANK DUNN, F. WILLIAM CONNER, CHAHRAM BOLOURI, WILLIAM R.
HAWE AND DELOITTE & TOUCHE LLP

Defendants

Proceeding under the Class Proceedings Act, 1992

AFFIDAVIT OF RON GIAMMARINO

I, RON GIAMMARINO, of the City of Vancouver, in the Province of British Columbia, MAKE OATH AND SAY:

1. I am a financial economist and have been employed at the University of British Columbia since 1984 when I joined the Faculty of Commerce and Business Administration. I currently hold the rank of Professor, a position I have held since July of 1998. Prior to that time I held the positions of Assistant Professor (1984–1990) and Associate Professor (1990–1998). I currently hold the Phillips Hager and North Professorship in Corporate Finance and am Director of the Phillips Hager and North Centre for Financial Research. I was Chairman of the Finance Division from January 1995 to July 2000.

2 I received an Undergraduate Degree in Economics from St. Francis Xavier University, a Master of Arts degree in Economics from Queen's University, and a Ph.D. in Management from Queen's University. I attach as Exhibit "A" a true copy of my *curriculum vitae*

3 The primary area in which I conduct research is corporate finance with particular emphasis on investment decisions, bankruptcy, financial strategies, corporate control, and bank regulation. I have taught courses in these areas as well as financial planning, international finance, and financial engineering. I have taught courses at the Undergraduate, Master, and Ph.D. level. I have also taught in Executive Education Programs and in Professional Programs. I have authored and/or co-authored a number of refereed journal articles related to these areas of study. I am a co-author of an M.B.A. level textbook and an Undergraduate level textbook. I have been asked to present my work at several academic conferences and university seminars as well as to a number of policy making and professional groups including the Chartered Accountants of B.C., the Treasury Management Association of Canada, Industry Canada, The C.D. Howe Institute, The House of Commons Standing Committee on Finance, the Bank of Canada, and an *Ad Hoc* Committee of B.C.'s Legislative Assembly.

4. In addition to my university service, I provide consulting services to a number of clients. I have been asked for opinions on several cases involving securities valuation and alleged misrepresentation. I was qualified and testified as an expert in the Ontario Superior Court of Justice at the trial of *Kerr et al. v. Danier Leather*, an action involving alleged prospectus misrepresentation. I have also filed affidavits in support of the plaintiffs' certification motions in this action (Nortel I) and in the Ontario Gallardi Action

(Nortel II).

5. I have been retained by Ontario National Class Counsel in this securities litigation to review the declaration of Jane D. Nettesheim dated September 1, 2006 (“Nettesheim Affidavit”) and to provide an opinion as to the reasonableness of the approach taken by Jane Nettesheim in formulating the Plan of Allocation.

6. In addition to reviewing the Nettesheim Affidavit, I have read the Plan of Allocation as presented in the “Notice of Certifications in Canada and Proposed Settlements of Class Actions, Motions for Attorneys’ Fees and Settlement Fairness Hearings (Nortel I Notice)”. I have also discussed the work supporting the Nettesheim Affidavit with Ms. Nettesheim.

7. I have been asked to consider the appropriateness of the general approach taken by Ms. Nettesheim. I have not been asked to examine details of the estimates she uses in supporting her conclusions nor have I computed estimates of damages on my own.

8. It is my opinion that the approach taken by Ms. Nettesheim in fashioning the Plan of Allocation is appropriate in structure and in the care taken to implement the approach. From my review of the Nettesheim Affidavit and my discussion with Ms. Nettesheim, I understand that her analysis involves:

- (a) An examination of the changes in the prices of Nortel common stock and the options written on Nortel common stock throughout the Class Period. This examination took the form of a standard “event study” of common stock price movements and an option pricing based approach to estimate the damage to traders in option markets. In turn, the event study formed the basis of Ms. Nettesheim’s estimate of the “inflation” that resulted from information managed by Nortel through the Class Period, including information released on February 15th 2001. In this context, inflation refers to an increase in price over and above what the market price would

have been if relevant information had been fully and honestly conveyed to the public in a timely manner.


- (b) Ms. Nettesheim also estimated the aggregate damages based on a "trading model".

9. In conducting event studies and estimating damages, an analyst makes several assumptions and decisions about the specific form of the analysis. While I may have made alternative assumptions and decisions at a few junctures in the analysis, overall, the approach that has been described to me seems to be consistent with what I would consider to be appropriate and with the approach that I would generally follow.

10. Overall, then, I feel that Ms Nettesheim's approach in formulating the Plan of Allocation is reasonable and that each component of her analysis generally follows accepted principles and methodology.

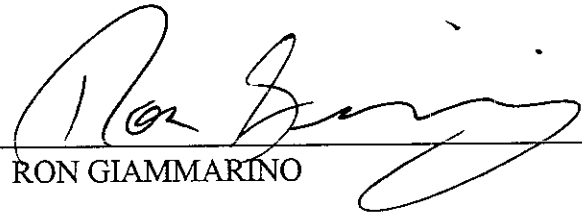
11. I swear this affidavit in support of a motion to approve the Plan of Allocation, and for no other purpose.

SWORN BEFORE ME at the City)
of Vancouver, in the Province of)
British Columbia, this 18th day of)
October, 2006.)



A Commissioner for Oaths, etc

TODD L. KERR
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RON GIAMMARINO

EXHIBIT A

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Ron Giammarino

Phillips, Hager and North Professor of Corporate Finance

EDUCATION

Undergraduate

1974-77: St. Francis Xavier University, B.A. (1977)

Graduate

1977-78: Queen's University, MA. (1980)
1980-84: Queen's University, Ph.D. (1984)

PROFESSIONAL EMPLOYMENT RECORD

1998- present: Professor, University of British Columbia
1990-98: Associate Professor, University of British Columbia
1984-90: Assistant Professor, University of British Columbia

PROFESSIONAL ACTIVITIES

Membership in Professional Societies

American Economic Association
American Finance Association: Nominating Committee, 1997
Canadian Economic Association
European Finance Association: Program Committee, 1996 –
Northern Finance Association: Program Chairman, 1994
Western Finance Association: Program Committee, 1988-
Financial Management Association Program Committee, 2005

This is Exhibit *A* referred to in
the affidavit of *RON GIAMMARINO*
sworn before me at *VANCOUVER BC*
this *15* day of *OCTOBER* 20 *06*
A Commissioner for taking Affidavits
within British Columbia

TODD L. KERR
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Editorial Positions

Associate Editor, Review of Financial Studies, 1993-96
Associate Editor, Canadian Journal of Administrative Sciences, 1996-

Awards and Distinctions

Smith Breeden Distinguished Paper Award, 2005
Honorary Visiting Professor, Danube University, 2001
Social Sciences and Humanities Research Council Grants, 1991-
Nominee C.G.S Graduate Teaching Award, 1994-95
Faculty of Commerce Talking Stick Award (course development), 1995

Selected Administrative Responsibilities:

- Member, Financial Institutions Commission of BC, 1999-2002
- Academic Coordinator, UBC/Danube University Joint M.Sc. Program, 1995 - present
- Founding Director, Phillips Hager and North Centre for Financial Research, 2001 - present
- Finance Division Chairman – 1995-2000
- Chairman, MBA Integrated Core Implementation Committee – 1995
- Member, MBA Program Review Committee – 1993-1995
- Acting Director, MBA Program, 1993
- Founding coordinator, Finance Internship Programs

Professional Service and Experience

- 2006 – Consultant, CN Rail
- 2003 – present – Executive Committee, Sacks Industrial Ltd.
- 2004, 2005, 2006 – Consultant, Ontario Council on Graduate Studies
- 2004 – Consultant, Medical Facilities Corporation
- 2003 – Expert Testimony, *Durst vs. Danier Leather*
- 2002 – 2005 Consultant HSBC
- 2000-2002 – Expert litigation support services on a number of cases
- 2000 – Consultant, Ontario Teachers' Pension Board
- 2000 – Consultant, Lerner and Associates, expert testimony
- 2000 – Consultant, Enmax Corporation
- 1999 – Consultant, Competition Bureau, Propane Mergers
- 1998 – Consultant, Competition Bureau, Bank Mergers
- 1998 – Consultant Hongkong Bank of Canada
- 1997 – Expert report, Task Force on the Future of Canada's Financial Services Industry
- 1997 – Consultant, Royal Commission on Workers' Compensation in B.C.
- 1996 – Consultant, Department of Fisheries and Oceans
- 1996 – Consultant, Graymont Ltd., Vancouver
- 1996 – Consultant, Danube University, Austria
- 1996 – Consultant, Competition Bureau, Seaspan
- 1996 – Expert report, Industry Canada, 1996
- 1995 – Consultant, B.C Biomedical/Metro McNair Laboratories

- 1995 – Expert report, Concordia University
- 1993– Consultant, B C Gas
- 1993 – Consultant, Government of British Columbia, Ministry of Economic Development, Small Business and Trade.
- 1993 – Consultant, Farris, Vaughan, Wills, & Murphy, Barristers and Solicitors
- 1993 – Consultant, Nathanson, Schachter & Thompson, Barristers and Solicitors
- 1992 – Consultant, British Columbia Financial Institutions Commission
- 1992 – Consultant, British Columbia Ministry of Energy Mines and Petroleum Resources
- 1991 – Committee Consultant – Select Standing Committee on Finance, Crown Corporations, and Government Services, Province of British Columbia
- Consultant, Government of British Columbia, Ministry of Finance and Corporate Relations
- 1989 – Consultant, British Columbia, Office of the Superintendent of Financial Institutions
- 1986 – Consultant, Certified General Accountants Association of Canada

RESEARCH AND PROFESSIONAL SCHOLARLY & CREATIVE ACTIVITIES

Invited Academic Seminars

University of Calgary, 2005
 York University, 2005
 University of Houston, 2004
 Hong Kong University 2004
 University of Alberta, 2003
 University of Manitoba, 2002
 University of Victoria, 2002
 York University, 2002
 Queen's University 2001
 Laval University 2001
 Tulane University, 2001
 Georgia Finance Forum, 2001
 University of Hong Kong, 2000
 London Business School, 1999
 University of Toronto, 1999
 University of California at Irvine, 1998
 University of California, Berkeley, 1997
 Stanford University, 1997
 London School of Economics, 1996
 Carnegie Mellon University, 1989, 1995
 Georgia Finance Forum, 1995
 University of Maryland, 1995
 UCLA, 1994
 University of New South Wales, 1994
 Australian National University, 1994
 Simon Fraser University, 1994
 London School of Economics, 1993
 Hong Kong University of Science & Technology, 1993
 University of Florida, 1992
 McGill University, 1991

University de Montreal, 1991
Haute Ecole de Commerce, Montreal, Quebec, 1991
Dartmouth University, 1990
Northwestern University, Finance Workshop
Queen's University, 1989
Vanderbilt University, 1989
York University, 1989
University of Calgary, 1989
Carnegie-Mellon University 1988
University of Alberta 1988
UCLA 1987
University of Minnesota 1986
Queen's University 1986
University of Ottawa 1986
University of Waterloo 1986

Invited Professional Seminars

- Mortgage Investors Association of BC, Behavioral Finance, 2005
- Ph.D. Project, (KPMG Foundation), Vancouver, 2004
- CD Howe Institute, Future of Pension Reform, Edmonton, 2004
- Canadian Institute of Chartered Accountants, Vancouver, 2001, 2004
- Industry Canada, Investment and Productivity, Ottawa, 2000
- Treasury Management Association of Canada, Vancouver, 2000
- Ph.D. Project (KPMG Foundation), Seattle, 2000
- Industry Canada, Investment Challenges in Canada, Ottawa, 1999
- Federal Liberal Task Force on the Future of Canada's Financial System, 1998
- Bank of Canada, Inflation and Stock Prices, Ottawa 1998
- Ph.D. Project (KPMG Foundation), Chicago, 1999
- Ph.D. Project (KPMG Foundation), Hawaii, 1997
- Osaka University, Finance Conference, 1996
- University of Toronto, Round Table on Corporate Governance, 1995
- House of Commons, Standing Committee on Finance, Sub Committee on Financial Institutions, Ottawa, 1992
- Garn Institute, University of Utah, Issues of Deposit Insurance Reform, 1991
- Institute of International Relations, U B.C, International Coordination of Financial Services Regulation: The Case of Risk Adjusted Capital Adequacy, May 1990.
- Select Standing Committee, Province of B.C , Regulating Personal Financial Planners, Oct. 1988
- Bank of Canada, Workshop on Monitoring Deposit Taking Institutions and International Debt Renegotiation, Ottawa, 1988

PUBLICATIONS

Textbooks

R. Brealey, S. Myers, G. Sick and R. Giammarino, **Principles of Corporate Finance**, second Canadian edition, McGraw Hill, 1992

R. Giammarino, E. Maynes, R. Brealey, S. Myers, and Alan Marcus, **Fundamentals of Corporate Finance**, first Canadian edition, McGraw Hill, 1995

Refereed Articles

- R. Giammarino and R. Heinkel, "A Model of Dynamic Takeover Behavior" **Journal of Finance**, September 1986, pp. 465-480.
- R. Giammarino and Tracy Lewis, "A Theory of Negotiated Equity Finance", **Review of Financial Studies** 1, 1988, pp. 265-288
- R. Giammarino, "The Resolution of Financial Distress", **Review of Financial Studies** 2, 1989, pp. 25-47.
- R. Giammarino, Eduardo Schwartz, and Josef Zechner, "Market Valuation of Bank Assets and Deposit Insurance", **Canadian Journal of Economics**, 1990, pp. 265-288.
- R. Giammarino and Ed Nosal, "Wage Smoothing as a Signal of Quality", **Canadian Journal of Economics**, 1990
- B. Espen Eckbo, R. Giammarino and Rob Heinkel, "Asymmetric Information and the Medium of Exchange in Mergers: Theory and Tests", **Review of Financial Studies** 3, 1990, pp. 651-675.
- R. Giammarino and Ed Nosal, "Debt Overhang and the Efficiency of International Rescheduling", in **Recent Developments in International Banking and Finance – Volume III**, Sarkis J. Khoury, editor; Elsevier Science Publishers B.V. (North Holland), 1991.
- R. Giammarino, Tracy Lewis, and David Sappington, "An Incentive Approach to Bank Regulation" **Journal of Finance**, 1993.
- R. Giammarino, Rob Heinkel and Burton Hollifield, "Corporate Decisions and Anonymous Insider Trading", **Journal of Financial and Quantitative Analysis**, 1994.
- R. Giammarino and Peter Lusztig, "Corporate Governance, Institutional Investors, and Agents Monitoring Agents", **FINECO**, 1996.
- R. Giammarino, Rob Heinkel, and Burton Hollifield, "Defensive Measures and Managerial Discretion", **Journal of Finance**, 1997.

- M. Carlson, A. Fisher, and R. Giammarino, "Corporate Investment and Asset Price Dynamics: Implications for the Cross Section of Returns, **Journal of Finance**, December 2004.
 - Awarded Best Corporate Finance Paper prize by the Northern Finance Association
 - Awarded the 2005 Smith-Breeden Distinguished Paper prize by the American Finance Association
- R. Giammarino and Ed Nosal, "Loggers versus Campers: Compensation for the Taking of Property Rights" **Journal of Law, Economics, and Organization** Volume 21, No.1, Spring 2005
- M. Carlson, A. Fisher, and R. Giammarino, "Corporate Investment and Asset Price Dynamics: Implications for SEO Event Studies and Long Run Performance, forthcoming, **Journal of Finance** June 2006.

Invited Submissions:

Ronald Giammarino, Robert Heinkel, Burton Hollifield and Kai Li "Corporate decisions, information and prices: Do managers move prices or do prices move managers?," with, forthcoming, **Economic Notes**, Conference Volume in Honor of Micheal Brennan, 2004.

R. Giammarino, "Patient Capital? R&D Investment in Canada" in **Corporate Decision Making in Canada**, R. Daniels and R. Morck editors, University of Calgary Press, 1995

Book Chapters:

Capital Investment Challenges in Canada, 1996, Industry Canada Publication.

Central Bank Policy, Inflation, and Stock Prices, 1999, in **Information in Financial Asset Prices**, Bank of Canada

Working Papers:

M. Carlson, A. Fisher, and R. Giammarino, "SEO's Real Options, and Risk Dynamics: Empirical Evidence

R. Giammarino and Ed Nosal, "Debt, Renegotiation and Judicial Discretion"

R. Giammarino and Edwin Neave, "The Failure of Financial Contracts and the Relevance of Financial Policy",

Professional Reports:

Ownership Restrictions and the Value of Canadian Bank Stocks, (with Gerald Garvey) Federal Task Force on the Future of Canada's Financial Services Industry

The Economic Role and Impact of Workers' Compensation, (with Gerld Garvey), The Provincial Task Force on Workers' Compensation

Corporate Concentration in the Pacific Salmon Fishery (with Gerald Garvey), for Pacific Salmon Revitalization Plan.

Review of Report of the Commission of Inquiry into Compensation for the Taking of Resource Interests (with Ed Nosal), B.C. Ministry of Economic Development.

Mitigation Fund Investment Policy Study (with Josef Zechner and Alan Kraus) for the Mineral Policy Branch of the Ministry of Energy, Mines and Petroleum Resources.

Stabilization and Deposit Insurance Funds: Structure and Financing (with Tracy Lewis) for the Financial Institutions Commission of B C

Regulating and Insuring Deposit Taking Institutions in B C. (with Josef Zechner) for the Provincial Ministry of Finance.

Loan Guarantees and Government Intervention During Financial Distress, (with Josef Zechner) for Provincial Ministry of Finance.

Factors Determining Bank Risk, (with Josef Zechner) for Provincial Ministry of Finance and Corporate Relations.

Quantitative Investment Rules (with James Brander), for Provincial Ministry of Finance and Corporate Relations

Monitoring Deposit Taking Institutions for Office of the Superintendent of Financial Institutions

Identifying Financially Distressed Credit Unions, (with Murray Frank) for Office of the Superintendent of Financial Institutions

Program 90 Implementation Audit, (with Donald Wehrung and William Goyan) for CGA Canada.

Uniform Risk Based Capital Requirements for Deposit Taking Institutions. A Canadian/U S Comparison, (with Josef Zechner) for the Ministry of International Business and Immigration