

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE NORTEL NETWORKS CORP.
SECURITIES LITIGATION

This Document Relates To:

ALL ACTIONS

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LEAD PLAINTIFFS' RESPONSE TO LATE-FILED OBJECTIONS

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Lead Plaintiffs, the Ontario Teachers' Pension Plan Board and the Department of the Treasury of the State of New Jersey and its Division of Investment ("Lead Plaintiffs") submitted on October 5, 2006 their memorandum of law (the "October 5, 2006 Memorandum") in further support of their motion for: (a) final approval of the proposed settlement between the Class and Defendants (the "Settlement"); (b) final approval of the proposed plan of allocation (the "Plan of Allocation"); and (c) certification of the Class for settlement purposes (the "Settlement Approval Motion"); and Lead Counsel's application for an award of attorneys' fees and reimbursement of litigation expenses (the "Fee and Expense Application"). In their October 5, 2006 Memorandum, Lead Plaintiffs responded to Class Members' objections received by the Claims Administrator prior to the Court-imposed September 19, 2006 deadline for such objections. Since the October 5, 2006 Memorandum was submitted, the Claims Administrator has received two late-filed objections, and received from one objector, Class Member Michel Darveau, a response to that memorandum (the "Darveau Response").¹ Lead Plaintiffs respectfully submit this brief response to assist the Court's consideration of the Settlement Approval Motion and the Fee and Expense Application. As set forth below, these two objections, in addition to being untimely, are without merit and, like Mr. Darveau's objection, should be rejected.

I. The Substance of the Two Late-Filed Objections Has Already Been Addressed in the October 5, 2006 Memorandum

A. Objection to the Amount of the Settlement

Class Member C.M. Gambell, who purchased 500 shares of Nortel common stock during the Class Period through her retirement plan (and may have purchased an additional 1,200 shares through other means), objects to the Settlement because it "does not even touch the end results."

¹ Copies of the two late-filed objections and a copy of the Darveau Response are attached as Exhibit B and Exhibit C, respectively, to the Supplemental Affidavit of David A. Isaac submitted herewith.

As discussed in Lead Plaintiffs' initial submissions in support of the Settlement Approval Motion, however, the Settlement represents a substantial recovery, particularly in light of Nortel's precarious financial condition, the procedurally advanced Nortel I Action, and other significant obstacles to recovering anything more than nominal insurance proceeds. Mrs. Gambell, like the other conclusory objections addressed at pages 5-6 of the October 5, 2006 Memorandum, does not present any rationale as to why the Settlement is insufficient, and, therefore, her objection should be rejected. *See, e.g., In re AOL Time Warner, Inc.*, No. MDL 1500, 02-CV-5575, 2006 WL 903236, at *10 (S.D.N.Y. Apr. 6, 2006) (rejecting unsupported objections).

B. Objection to the Fee and Expense Application

Class Member Donna T. Myers, who purchased 10,000 shares of Nortel common stock during the Class Period and sold 5,000 of those shares before the end of the Class Period, objects to the Fee and Expense Application. Ms. Myers does thank counsel for the results obtained, but objects because she does not "think they should be paid this large amount of money."² Like the

² Ms. Myers also asked how any funds remaining after the distribution will be dealt with. This matter is addressed on page 18 of the Notice:

If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed proportionally to United States and Canadian nonsectarian, not-for-profit organizations designated by plaintiffs' counsel (and in the case of any relevant settlement shares, by transfer of such shares to such organization) after notice to the Courts and subject to direction, if any, by the Courts.

The Claims Administrator will contact Ms. Myers to address her question.

objectors addressed at pages 13-15 of the October 5, 2006 Memorandum, however, Ms. Myers does not provide any support for her assertion that the requested fee award is too great, nor does she address the many cases cited in Lead Plaintiffs' initial submission in support of the Fee and Expense Application. Accordingly, like those other objections, Ms. Myers' objection should be rejected.

II. The Darveau Response Is Unfounded

Michel Darveau (Obj. #11) has objected to the definition of the Class to the extent that Nortel employees who purchased Nortel common stock through the Nortel Common Stock Fund (the "Common Stock Fund") cannot submit individual claims for such purchases. Although Mr. Darveau's objection was completely addressed at pages 11-12 of the October 5, 2006 Memorandum, he has submitted a response in which he continues to assert that employees actually purchase, and therefore own, the Nortel shares purchased through the Common Stock Fund. As a result of Mr. Darveau's response, Lead Counsel communicated with Nortel, and has been informed that it is Nortel's understanding that (i) employees own units of the Common Stock Fund, not shares of Nortel common stock; (ii) the insurance company, SunLife, owns the shares for the benefit of participants; (iii) a "unit" is an interest in the net assets of the Common Stock Fund proportionate to each participant's contribution; and (iv) participants cannot control the purchases and sales of Nortel shares, which can only be controlled by SunLife. There is no basis to distinguish the Common Stock Fund from any other investment fund, and, therefore, Nortel shares purchased by the Common Stock Fund, like shares purchased by an investment fund, cannot be included on a Claim Form submitted by participants. Accordingly, Mr. Darveau's objection should be rejected.

CONCLUSION

For the foregoing reasons, as well as those set forth in Lead Plaintiffs' initial papers in support of the Settlement Approval Motion and the Fee and Expense Application and in the October 5, 2006 Memorandum, Lead Plaintiffs respectfully request that this Court (i) approve the Settlement as fair, reasonable and adequate; (ii) approve the Plan of Allocation as fair and reasonable; (iii) certify the Class for settlement purposes; and (iv) approve the Fee and Expense Application as fair and reasonable.

Dated: New York, New York
October 24, 2006

Respectfully Submitted,

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