

SUPREME COURT
OF BRITISH COLUMBIA

SEP 17 2001

VANCOUVER
REGISTRY



S015159

No.
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

JANIE JEFFERY and RONALD MENSING

PLAINTIFF

AND:

NORTEL NETWORKS CORPORATION, JOHN A. ROTH,
FRANK A. DUNN, F. WILLIAM CONNER and
CHAHRAM BOLOURI

DEFENDANTS

Brought Under the Class Proceedings Act

WRIT OF SUMMONS

(Name and
address of
each
Plaintiff)

JANIE JEFFERY and RONALD M.
MENSING
c/o Klein Lyons
1100 - 1333 West Broadway
VANCOUVER, B.C. V6H 4C1

(Name and
address of
each
Defendant)

NORTEL NETWORKS CORPORATION
1700 1075 West Georgia Street
VANCOUVER, B.C. V6E 3C9

JOHN A. ROTH
R.R. #5 Morningview
ORANGEVILLE, ONTARIO L9W 2Z2

FRANK A. DUNN
91 Bel Air Drive
OAKVILLE, ONTARIO L6J 7N1

F. WILLIAM CONNOR
6130 Tulip Lane
DALLAS, TEXAS 75230

CHAHRAM BOLOURI
930 Trans Canada Highway
ST. LAURENT, QUEBEC

ELIZABETH THE SECOND, by the Grace of God, of the United Kingdom, Canada and Her other Realms and Territories, Queen, Head of the Commonwealth, Defender of the Faith.

TO the Defendant(s): Nortel Networks Corporation, John A. Roth, Frank A. Dunn, F. William Connor and Chahram Bolouri

TAKE NOTICE that this action has been commenced against you by the Plaintiff(s) for the claim(s) set out in this writ.

IF YOU INTEND TO DEFEND this action, or if you have a set-off or counterclaim which you wish to have taken into account at the trial, **YOU MUST**

- (a) **GIVE NOTICE** of your intention by filing a form entitled "Appearance" in the above registry of this Court within the Time of Appearance provided for below and **YOU MUST ALSO DELIVER** a copy of the "Appearance" to the Plaintiff's address for delivery, which is set out in this writ, and
- (b) if a Statement of Claim is provided with this writ of summons or is later served on or delivered to you, **FILE** a Statement of Defence in the above registry of this court within the Time for Defence provided for below and **DELIVER** a copy of the Statement of Defence to the Plaintiff's address for delivery.

YOU OR YOUR SOLICITOR may file the Appearance and the Statement of Defence. You may obtain a form of Appearance at the Registry.

JUDGMENT MAY BE TAKEN AGAINST YOU IF

- (a) **YOU FAIL** to file the Appearance within the Time for Appearance provided for below, or
- (b) **YOU FAIL** to file the Statement of Defence within the Time for Defence provided for below.

TIME FOR APPEARANCE

If this Writ is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including day of service).

If this Writ is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

(or, where the time for appearance has been set by order of the court, within that time.)

TIME FOR DEFENCE

A Statement of Defence must be filed and delivered to the plaintiff with 14 days after the later of

- (a) the time that the Statement of Claim is served on you (whether with this writ of summons or otherwise) or is delivered to you in accordance with the Rules of Court, and
- (b) the end of the Time for Appearance provided for above.

(or, if the time for defence has been set by order of the court, within that time.)

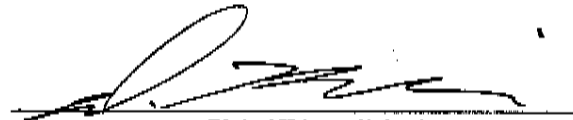
(1) The address of the registry is: 800 SMITHE STREET VANCOUVER, B.C. V6Z 2E1
(2) The plaintiff's address for delivery is: KLEIN, LYONS #1100 - 1333 WEST BROADWAY VANCOUVER, BC V6H 4C1 Fax number for delivery: 874-7180
(3) The name and office address of the plaintiff's solicitor is: David A. Klein KLEIN, LYONS #1100 - 1333 WEST BROADWAY VANCOUVER, BC V6H 4C1

See attached Statement of Claim.

The plaintiff claims the right to serve this Writ on the defendants Roth, Dunn, Connor and Bolouri on the grounds that the proceeding is founded on a tort committed in British Columbia, and persons outside British Columbia are necessary or proper parties to a proceeding properly brought against some other person duly served in British Columbia.

The plaintiff also claims court order interest, costs, and such further and other relief as to this Honourable Court may seem just.

Dated: September 17, 2001



Plaintiff (or solicitor)

IN THE SUPREME COURT OF BRITISH COLUMBIA

Between:

JANIE JEFFERY, and RONALD MENSING
as representative plaintiffs

Plaintiffs

And:

NORTEL NETWORKS CORPORATION, JOHN A. ROTH, FRANK A. DUNN,
F. WILLIAM CONNER, and CHAHRAM BOLOURI

Defendants

Brought under the *Class Proceedings Act*, R.S.B.C. 1996, c.50

STATEMENT OF CLAIM

The Parties

- 1) The plaintiff, Janie Jeffery, resides in Vancouver, British Columbia. At all material times she was a shareholder in the defendant, Nortel Networks Corporation ("Nortel"). Janie Jeffery purchased 200 shares of Nortel stock on December 15, 2000 for \$59.10 per share. She seeks to represent persons who acquired their Nortel stock between November 1, 2000, and February 12, 2001 inclusive, but prior to John A. Roth's web conference with RBC Dominion Securities (the "Class 1 Period").
- 2) The plaintiff, Ronald Mensing, resides in Vancouver, British Columbia. At all material times he was a shareholder in the defendant, Nortel. Ronald Mensing purchased 100 shares of Nortel stock on February 14, 2001 for \$46.47 per share.

He seeks to represent persons who acquired their Nortel stock between February 12, 2001 and February 15, 2001, inclusive, but subsequent to John A. Roth's web conference with RBC Dominion Securities (the "Class 2 Period").

- 3) The Class 1 Period and the Class 2 Period are collectively referred to as the "Class Periods".
- 4) The plaintiffs undertake this action on their behalf and, pursuant to the *Class Proceedings Act*, R.S.B.C. 1996, c. 50, and its amendments, on behalf of all persons who acquired Nortel shares during the Class Periods, other than the defendants, members of the defendants' immediate families, and any entity in which a defendant has a controlling interest.
- 5) The defendant, Nortel, is a Canadian corporation, incorporated under the *Canada Business Corporations Act*, with its registered head office in British Columbia located at 1700 – 1075 West Georgia Street, Vancouver, British Columbia. Nortel is a global communications company.
- 6) The defendant, John A. Roth ("Roth"), is Nortel's Chief Executive Officer, President, and a Nortel director.
- 7) The defendant, Frank A. Dunn ("Dunn"), is Nortel's Chief Financial Officer, and a Nortel director.
- 8) The defendant, F. William Conner ("Conner"), is President of Nortel's eBusiness Solutions.
- 9) The defendant, Chahram Bolouri ("Bolouri"), is President of Nortel's Global Operations.

- 10) The defendants, Roth, Dunn, Conner, and Bolouri, are collectively referred to as the "Individual Defendants".

Cause of Action

- 11) During the Class Periods public trading of Nortel common shares took place on the Toronto and New York Stock Exchanges.
- 12) During the Class Periods Nortel stated strong revenue and earnings guidance for the fourth quarter and fiscal year 2000, and the first quarter and fiscal year 2001. However, during the Class Periods Nortel knew, or ought to have known, that it was experiencing a substantial shortfall in sales and earnings due to decreased orders from its customers.
- 13) By reason of their positions with Nortel, the Individual Defendants had access to internal Nortel documents, reports, and other information, including adverse non-public information, concerning Nortel's services, financial condition, and future prospects, and attended management and/or board of director's meetings.
- 14) The Individual Defendants, as Nortel's officers and directors, were authorized to speak, and did routinely speak, on behalf of Nortel to investors, shareholders, analysts, and reporters.
- 15) The Individual Defendants were responsible for the truthfulness and accuracy of Nortel's public reports, and news releases.
- 16) Nortel, and the Individual Defendants as officers and directors of a publicly held company, had a duty to promptly disclose and disseminate truthful and accurate information regarding Nortel to the plaintiffs and others, and to promptly correct

any information issued by or on behalf of Nortel that was, or had become, false and misleading.

- 17) Nortel, and the Individual Defendants, were required by law, pursuant to s. 85 of the *Securities Act*; R.S.B.C. 1996 c. 418 and its amendments, to make continuous disclosure of any material change. A material change is a change that is expected to significantly affect the market price of the issuer's securities.
- 18) Nortel, and the Individual Defendants, knew, or ought to have known, that the price of Nortel stock was tied to Nortel's financial well-being.
- 19) Nortel, and the Individual Defendants, had a direct financial interest in the Nortel stock price in that:
 - a) the Individual Defendants owned Nortel stock;
 - b) shortly before February 15, 2001, two of the Individual Defendants sold Nortel stock:
 - i) on January 31, 2001, Conner sold 117,050 shares; and
 - ii) on January 26, 2001, Bolouri sold 43,400 shares.
 - c) the higher the price of Nortel stock, the more equity Nortel had; and
 - d) on February 13, 2001, Nortel bought a division of JDS Uniphase, in part with U.S. \$2.4 billion of Nortel stock.
- 20) Nortel, and the Individual Defendants, knew, or ought to have known, that any information they disclosed and disseminated regarding Nortel's financial well-being would be relied on by the market.
- 21) Nortel, and the Individual Defendants, knew, or ought to have known, that negligently disseminating untrue, inaccurate, or misleading information that artificially inflated the price of Nortel stock would increase the attractiveness of Nortel stock as an investment.

- 22) Nortel, and the Individual Defendants, knew, or ought to have known, that negligently disseminating untrue, inaccurate, or misleading information that artificially inflated Nortel's financial well-being would also artificially inflate the price of Nortel stock.
- 23) Nortel, and the Individual Defendants, knew, or ought to have known, that the higher the inflated price of the Nortel stock the greater would be the drop in price when the true information regarding Nortel's financial well-being was disclosed and disseminated.
- 24) Nortel, and the Individual Defendants, knew, or ought to have known, that a drop in the price of Nortel stock would cause damage to the plaintiffs.
- 25) The plaintiffs allege that Nortel, and the Individual Defendants, knowingly and/or recklessly and/or negligently made materially false, inaccurate, and misleading statements when they issued revenue and earnings guidance to the investing public for the fourth quarter and fiscal year 2000, and the first quarter and fiscal year 2001.
- 26) Nortel, and the Individual Defendants, knew, or ought to have known, that in fact Nortel was experiencing a substantial shortfall in fourth quarter 2000, and first quarter 2001 sales and earnings due to decreased orders from its customers.
- 27) The plaintiffs purchased Nortel stock relying on Nortel's, and the Individual Defendants', negligent misrepresentations, and further relying on the truth and accuracy of those statements.
- 28) The plaintiffs were reliant on Nortel's, and the Individual Defendants' continuous disclosure to provide accurate and honest information regarding any material changes the defendant experienced.

- 29) It was reasonable for the plaintiffs to rely on Nortel's, and the Individual Defendants' negligent misrepresentations.
- 30) The plaintiffs' reliance on Nortel's, and the Individual Defendants', negligent misrepresentations has caused the plaintiffs damage as they bought Nortel stock at an artificially inflated price.
- 31) The plaintiffs plead negligent misrepresentation against the defendants.
- 32) The plaintiffs plead and rely on *The Securities Act*; R.S.B.C. 1996, C.418 and its amendments.
- 33) On February 12, 2001, the defendant, John A. Roth, disclosed Nortel's worsening sales position to a select group of investment analysts at RBC Dominion Securities during a private web conference. This information was not made public until February 15, 2001.

The Misrepresentations

- 34) On November 1, 2000, before the market opened for trading, Nortel issued a press release via Canada NewsWire confirming its previously announced guidance for 2000 and 2001. The release reads in part:

Nortel Networks Confirms Guidance for 2000 and 2001,
Growth Expected at Rates Significantly Greater Than Market

- Outlook for 2000 and 2001 Remains Unchanged
- Provides specific Guidance on the Fourth Quarter of 2000 and First Quarter of 2001

TORONTO, Nov. 1 /CNW/ - Nortel Networks Corporation^(a) (NYSE/TSE: NT) today confirmed its guidance for 2000 and 2001, and specifically commented on its expectations for the fourth quarter of 2000 and the first quarter of 2001.

“We continue to expect that our percentage growth in revenue and earnings per share from operations^(b) in 2000 over 1999 will be in the low 40’s,” said John Roth, president and chief executive officer, Nortel Networks. “In response to specific requests for guidance on fourth quarter of 2000, we expect our revenue and earning per share from operations^(b) in the fourth quarter of 2000 will be in the range of US\$8.5 billion to US\$8.8 billion and US\$0.26 per share on a fully diluted basis, respectively. Overall, we expect continued strong growth in Optical Internet, Wireless Internet, Local Internet and eBusiness solutions. We continue to expect our optical Internet revenues to grow in excess of 125 percent in 2000 over 1999, to exceed US\$10 billion.”

“Looking forward to 2001, we continue to expect the overall market to grow in excess of 20 percent. Given our strong market position and leadership in high performance Internet solutions, we continue to expect to grow significantly faster than the market, with anticipated growth in revenues and earning per share from operations^(b) in the 30 to 35 percent range,” said Roth. “For the first quarter of 2001, consistent with historical profile trends, we expect our revenue and earnings per share from operations^(b) will be in the range of US\$8.1 billion to US\$8.3 billion and US\$0.16 per share on a fully diluted basis, respectively.”

- 35) On December 14, 2000, Nortel issued another press release via Canada Newswire confirming its previously announced guidance for 2000 and 2001. The release reads in part:

**Nortel Networks Confirms Guidance for 2000 and 2001,
Growth Expected at Rates Significantly Greater Than Market**

Remains very confident in previously stated guidance for fourth quarter 2000, first quarter of 2001 and fiscal years 2000 and 2001

TORONTO, Dec. 14 /CNW/ - Nortel Networks Corporation^(a) today confirmed its expected performance for the fourth quarter 2000, fiscal year 2000, first quarter 2001 and fiscal year 2001.

“We continue to expect that our percentage growth in revenue and earnings per share from operations^(b) in 2000 over 1999 will be in the low 40’s,” said John Roth, president and chief executive officer, Nortel Networks. “As we enter the last two weeks of the quarter and the year, we remain very confident in our previously stated guidance. We expect our revenue and earning per share from operations^(b) in the fourth quarter of 2000 will be in the range of US\$8.5 billion to US\$8.8 billion and US\$0.26 per share on a fully diluted basis, respectively. Overall, we expect continued strong growth in Optical Internet, Wireless Internet, Local Internet and eBusiness solutions. We continue to expect our Optical Internet revenues to grow in excess of 125 percent in 2000 over 1999, to exceed US\$10 billion.”

“Looking forward to 2001, we continue to expect the overall market to grow in excess of 20 percent. Given our strong market position and leadership in high performance Internet solutions, we continue to expect to grow significantly faster than the market, with anticipated growth in revenues and earning per share from operations^(b) in the 30 to 35 percent range,” said Roth. “For the first quarter of 2001, consistent with historical profile trends, we expect our revenue and earnings per share from operations (b) will be in the range of US\$8.1 billion to US\$8.3 billion and US\$0.16 per share on a fully diluted basis, respectively.”

- 36) On January 18, 2001, after the close of trading, Nortel issued a News Release in which it reported record results for 2000, crowned by strong results in the fourth quarter. The release reads in part:

Nortel Networks Reports Record 2000, Capped with Strong Results for the Fourth Quarter

- Revenues up 42% for 2000; 34% in the quarter
 - EPS from Operations up 42% for 2000; 24% in the quarter
 - Optical Internet Revenues top US\$10 billion for 2000
 - Confirms Guidance for Q1 and 2001 within Previous Ranges
- BRAMPTON, ONT. - Nortel Networks* Corporation^(a) [NYSE/TSE: NT] today reported results for the fourth quarter and the year 2000 prepared in accordance with U.S. generally accepted accounting principles.

Fourth Quarter 2000 Results

Revenues increased 34 percent to US\$8.82 billion for the fourth quarter of 2000 from US\$6.57 billion for the same period in 1999. Net earnings from operations applicable to common shares^(b) for the quarter were US\$825 million, or US\$0.26 per share on a diluted basis, compared to US\$607 million, or US\$0.21 per share on a diluted basis, for the same period in 1999, an increase in earnings per share from operations of 24 percent. Including Acquisition Related Costs^(b), stock option compensation from acquisitions and divestitures, and one-time charges, Nortel Networks recorded a net loss applicable to common shares in the fourth quarter of 2000 of US\$1.41 billion or US\$0.46 per share.

Year 2000 Results

For 2000, revenues increased 42 percent to US\$30.28 billion from US\$21.29 billion for 1999. Net earnings from operations applicable to common shares^(b) for 2000 were US\$2.31 billion, or US\$0.74 per share on a diluted basis, compared to US\$1.43 billion, or US\$0.52 per share on a diluted basis, for

1999, an increase in earnings per share from operations of 42 percent. Including Acquisition Related Costs^(b), stock option compensation from acquisitions and divestitures, and one-time gains and charges, Nortel Networks recorded a net loss applicable to common shares of US\$3.47 billion, or US\$1.17 per share, for 2000.

“We are extremely pleased with our fourth quarter results, especially the strong growth in Optical Internet, Wireless Internet, and Core IP Networking. Overall, the fourth quarter capped a year of exceptional growth, which was in line with our expectations. We saw our High Performance Internet solutions portfolio, one of the strongest and broadest in the industry, drive the many achievements and gains made across all geographic areas,” said John Roth, president and chief executive officer, Nortel Networks.

After reviewing the Company’s purported exceptional returns for 2000, the press release continued:

Looking forward, Mr. Roth said: “We see continuing strong market demand in our target industry segments. Even with the current economic uncertainty, Nortel Networks, with our global reach and industry leading portfolio, is ideally positioned to continue to outpace the market and gain profitable market share. Our focus on high-growth markets will be balanced with optimizing profitability and driving efficiencies in our business.”

Commenting on financial guidance for 2001, Frank Dunn, chief financial officer, Nortel Networks said, “Considering the current economic environment and tightening of capital within the telecom sector, we are projecting growth in revenues and earnings per share from operations^(b) in 2001 over 2000 of 30 percent. For the first quarter of 2001, we expect revenues of US\$8.1 billion and earnings per share from operations^(b) of US\$0.16 on a diluted basis. Our views for the quarter and the year are within the ranges we previously communicated.”

- 37) On February 13, 2001, Nortel closed a deal purchasing a division of JDS Uniphase Corp, in part with U.S. \$2.4 billion in Nortel stock.
- 38) The defendants’ guidance regarding the revenue and earnings for Nortel’s fourth quarter and fiscal year 2000, and the first quarter and fiscal year 2001, as set forth in the November 1, and December 14, 2000 press releases, and the January 18, 2001, News Release were materially false and misleading as at the time the defendants made the statements they knew, or ought to have known, that the North American economy had slowed dramatically and that Nortel’s customers,

largely composed of telecommunications and Internet related companies, were experiencing a slow-down in their businesses meaning they had reduced, and would continue to reduce, their purchases from Nortel which would lead to Nortel experiencing reduced sales and earnings.

- 39) On February 15, 2001, at 4:03 p.m. E.S.T., just after the close of trading, the Defendants issued a News Release, significantly lowering the Company's guidance for the first quarter and for the fiscal year 2001. The release read in part:

Nortel Networks Provides New Guidance for 2001 Based on a Faster and More Severe U.S. Economic Downturn; Continues to Expect Revenue Growth Greater than Market

TORONTO -- Nortel Networks* Corporation ^(a) [NYSE/TSE: NT] today announced new guidance for its financial performance for fiscal year and first quarter 2001.

"While we previously noted that economic uncertainties and capital constraints were impacting our outlook, we are now seeing a faster and more severe economic downturn in the United States which we now expect will result in slower overall market growth of approximately 10 percent in 2001. We are seeing longer than expected delays in spending by our U.S. customers as they continue to assess the impact of the economic and market conditions on their businesses," said John Roth, president and chief executive officer, Nortel Networks. "We now expect the U.S. market slowdown to continue well into the fourth quarter of 2001. Partially offsetting the impact of the U.S. market slowdown is the continued solid growth we are seeing in Europe and in the Asia Pacific and Latin America regions."

"Even with the current economic and market uncertainty, we continue to believe that Nortel Networks, with our global reach and industry-leading portfolio, is ideally positioned to gain market share and continue to grow revenues faster than the overall market growth rate. We now expect growth in revenues and earnings per share from operations^(b) in 2001 over 2000 of 15 percent and 10 percent, respectively. For the first quarter of 2001, we expect revenues of US\$6.3 billion and a loss per share from operations^(b) of US\$0.04 on a diluted basis," Roth added.

"No other company is as well positioned in the market today with our leading

portfolio and management bench strength as Nortel Networks,” concluded Roth. “We are strengthening our hold on being the world’s leading provider of profitable, high-performance Internet and communications solutions for our customers around the world. We are seen as a company that our customers can confidently move forward with. There should be no confusing the current economic downturn in the United States, and the adjustment we are announcing today, with Nortel Networks overall health and our market leadership position.”

In light of the current environment, Nortel Networks plans to immediately step up its initiatives to optimize profitability and drive efficiencies in its business by further streamlining operations and activities that are not aligned with its core markets and leadership strategies. The company now estimates that there will be a reduction in 2001 of approximately 10,000 from the number of employees at December 31, 2000 through streamlining and realignment activities. Approximately 6000 employees have been addressed to date.

- 40) On February 15, 2001, in after-hours trading of Nortel’s stock, the stock’s price dropped 23% from its closing price, reducing Nortel’s market capitalization by more than \$20 billion.
- 41) In early February 16, 2001 trading on the New York stock exchange, Nortel stock’s price dropped by as much as 36%, reducing Nortel’s market capitalization by more than \$33 billion U.S. Over 20 million shares were exchanged in the first half hour of trading.

Punitive and Exemplary Damages


- 42) The defendants’ actions were reckless, arrogant, high-handed, and abusive and showed a callous disregard for the plaintiffs’, and other class members’ rights. The defendants’ have engaged in conduct that is reprehensible and deserves punishment. The plaintiffs, therefore, seek punitive and exemplary damages against the defendants.

Relief Sought

- 43) The plaintiffs plead and rely on the *Class Proceedings Act*; R.S.B.C. 1996 c. 50, and its amendments. The plaintiffs seek on their own behalf, and on behalf of all class members, an order certifying this proceeding as a class proceeding pursuant to the *Class Proceedings Act*; R.S.B.C. 1996 c. 50, and its amendments, and an order appointing them as representative plaintiffs.
- 44) The plaintiffs claim as follows:
- a. general and special damages;
 - b. punitive and exemplary damages;
 - c. interest pursuant to the *Court Order Interest Act*; R.S.B.C. 1996 c.79, and its amendments;
 - d. costs; and
 - e. such further relief as to this honourable Court may seem just.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of September, 2001.

PLACE OF TRIAL: Vancouver, British Columbia



David A. Klein
Klein Lyons
Solicitors for the Plaintiffs

TO: The Defendants

THIS STATEMENT OF CLAIM is issued by David A. Klein of the law firm Klein Lyons, whose place of business and address for service and delivery is 1100 – 1333 West Broadway, Vancouver, BC, V6H 4C1. Telephone: (604) 874-7171. Facsimile: (604) 874-7180.