

If NNL's senior long-term debt rating by Moody's returns to Baa2 (with a stable outlook) and its rating by S&P returns to BBB (with a stable outlook), the security and guarantees will be released in full. If the EDC Support Facility is terminated, or expires, the security and guarantees will also be released in full. NNL may provide EDC with cash collateral in an amount equal to the total amount of its outstanding obligations and undrawn commitments and expenses under this facility (or any other alternative collateral or arrangements acceptable to EDC) in lieu of the security provided under the security agreements. Accordingly, if the EDC Support Facility is secured by cash or other alternate collateral or arrangements acceptable to EDC, the security and guarantees will also be released in full.

For information related to our outstanding public debt, see "Long-term debt, credit and support facilities" in note 10 of the accompanying consolidated financial statements. For additional financial information related to those subsidiaries providing guarantees as of December 31, 2004, see "Supplemental consolidating financial information" in note 24 of the accompanying consolidated financial statements. For information related to the security pledged, those subsidiaries providing guarantees and the impact of the termination of the Five Year Facilities on the related security agreements, subsequent to December 31, 2004, see "Developments in 2004 and 2005 - Nortel Audit Committee Independent Review; restatements; related matters - Credit facilities and security agreements". For information related to our debt ratings, see "Credit ratings" below. See "Risk factors/forward looking statements" for factors that may affect our ability to comply with covenants and conditions in our EDC Support Facility in the future.

### **Shelf registration statement and base shelf prospectus**

In 2002, we and NNL filed a shelf registration statement with the SEC and a base shelf prospectus with the applicable securities regulatory authorities in Canada, to qualify the potential sale of up to \$2,500 of various types of securities in the U.S. and/or Canada. The qualifying securities include common shares, preferred shares, debt securities, warrants to purchase equity or debt securities, share purchase contracts and share purchase or equity units (subject to certain approvals). As of December 31, 2004, approximately \$1,700 under the shelf registration statement and base shelf prospectus has been utilized. As of June 6, 2004, the Canadian base shelf prospectus expired. Owing to matters described above in "Developments in 2004 and 2005 - Nortel Audit Committee Independent Review; restatements; related matters" with respect to the delayed filing of the Reports and the 2005 First Quarter Reports, we are currently unable to utilize, in its current form, approximately \$800 of the remaining capacity under the SEC shelf registration statement. After we become current and timely with our SEC filings for a period of twelve months, we will again become eligible for short form shelf registration with the SEC. For the same reasons, we are also unable to permit holders of our prepaid forward purchase contracts to exercise certain "early settlement" rights and receive Nortel Networks Corporation common shares in advance of the otherwise applicable August 15, 2005 settlement date. These rights will again become exercisable upon the effectiveness of a registration statement (or a post-effective amendment to the shelf registration statement) filed with the SEC (with respect to the Nortel Networks Corporation common shares to be delivered) that contains a related current prospectus. Under the terms of the Purchase Contract and Unit Agreement which governs the purchase contracts, we have agreed to use commercially reasonable efforts to have, in effect, a registration statement covering the Nortel Networks Corporation common shares to be delivered and to provide a prospectus in connection therewith.

### ***Credit ratings***

<b>Rating agency</b>	<b>Rating on long-term debt issued or guaranteed by Nortel Networks Limited/Nortel Networks Corporation</b>	<b>Rating on preferred shares issued by Nortel Networks Limited</b>	<b>Last change</b>
Standard & Poor's Ratings Service	B-	CCC-	April 28, 2004
Moody's Investors Service, Inc.	B3	Caa3	November 1, 2002

On April 28, 2004, S&P downgraded its ratings on NNL, including its long-term corporate credit rating from "B" to "B-" and its preferred shares rating from "CCC" to "CCC-". At the same time, it revised its outlook to developing from negative. Moody's outlook changed to review for potential downgrade from uncertain on April 28, 2004. There can be no assurance that our credit ratings will not be lowered or that these ratings agencies will not issue adverse commentaries, potentially resulting in higher financing costs and reduced access to capital markets or alternative financing arrangements. A reduction in our credit ratings may also affect our ability, and the cost, to securitize receivables, obtain bid, performance related and other bonds, access the EDC Support Facility and/or enter into normal course derivative or hedging transactions.