FORM 8-K

Current report filing

Filing Date: **2001-02-02** | Period of Report: **2001-02-01**
SEC Accession No. 0000950123-01-000822

FILER

NORTEL NETWORKS LTD
CIK:**1119664**| IRS No.: **621262580**
Type: **8-K** | Act: **34** | File No.: **000-30758** | Film No.: **1524156**
SIC: **4813** Telephone communications (no radiotelephone)

Business Address
8200 DIXIE ROAD, SUITE 100
BRAMPTON A6 00000
9058631191

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities and Exchange Act of 1934

Date of Report: February 1, 2001
(Date of earliest event reported)

NORTEL NETWORKS LIMITED
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C> <C>

CANADA	000-30758	62-12-62580
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

</TABLE>

<TABLE>
<S> <C>

8200 DIXIE ROAD, SUITE 100, BRAMPTON, ONTARIO, CANADA	L6T 5P6
(address of principal executive offices)	(Zip code)

</TABLE>

Registrant's telephone number, including area code: (905) 863-0000.

ITEM 5. OTHER EVENTS

On February 1, 2001, the Registrant announced an offering of U.S. $1.5 billion of 6.125% Notes due February 15, 2006 pursuant to a prospectus supplement dated February 1, 2001. The prospectus supplement relates to the Registrant's shelf registration statement on Form S-3 (File Number 333-51888). The related press release is filed as Exhibit 99.1 and is incorporated by reference herein.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Exhibit 1.1 Terms Agreement, dated February 1, 2001, relating to the offer and sale of the 6.125% Notes due February 15, 2006.

Exhibit 4.1 Form of First Supplemental Indenture to be dated as of February 1, 2001 by and among Nortel Networks Limited, Nortel Networks Capital Corporation and Citibank, N.A., as trustee (including the form of the 6.125% Notes due February 15, 2006).

Exhibit 23.1 Consent of Cleary, Gottlieb, Steen & Hamilton.

Exhibit 23.2 Consent of Ogilvy Renault.

Exhibit 99.1 Press Release dated February 1, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report or amendment to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 2, 2001

NORTEL NETWORKS LIMITED

By: /s/ Deborah J. Noble

Name: Deborah J. Noble
Title: Corporate Secretary

By: /s/ Blair F. Morrison

Name: Blair F. Morrison
Title: Assistant Secretary

Exhibit 1.1

NORTEL NETWORKS LIMITED

U.S. $ 1,500,000,000

6.125 % NOTES DUE FEBRUARY 15, 2006

TERMS AND UNDERWRITING AGREEMENT

Nortel Networks Limited
8200 Dixie Road, 2000
Brampton, Ontario
L6T 5P6
Canada

Ladies and Gentlemen:

We (the "Representative") understand that Nortel Networks Limited, a Canadian corporation (the "Corporation"), proposes to issue and sell to the underwriters named in Schedule II hereto (the "Underwriters") the principal amount of its debt securities (the "Debt Securities"), if any, identified in Schedule I hereto (the "Underwritten Securities").

1. Except as specifically set forth herein, all the provisions contained in the document constituting Annex A entitled "Nortel Networks Limited -- Underwriting Agreement Basic Provisions" (the "Underwriting Agreement") are incorporated herein in their entirety and shall be deemed to be a part of this Terms Agreement to the same extent as if such provisions had been set forth in full herein. Terms defined in such document are used herein as therein defined. The parties hereto agree to the following changes to the Underwriting Agreement:

(a) Section 1(a) is amended to read as follows:

"The Corporation proposes to issue and sell certain of its debt securities, issuable under an indenture dated as of December 15, 2000 (as the same may be amended, supplemented or restated from time to time, the "Indenture") among the Corporation, Nortel Networks Capital Corporation and Citibank, N.A., as trustee (the "Trustee"), and/or certain of its warrants to purchase debt securities issuable pursuant to the warrant agreement (the "Warrant Agreement") identified in the Terms Agreement (as hereinafter defined) (such debt securities and warrants being sometimes collectively referred to herein as the "Securities"), in one or more offerings

on terms determined at the time of such sale. Such debt securities and warrants may be issued separately or together in units."

2

(b) The following paragraph is added to Section 2:

"(c) Deloitte & Touche LLP are independent certified public accountants with respect to the Corporation and its subsidiaries as required by the Act and the Rules and Regulations. The historical financial statements (including the related notes and supporting schedules) of the Corporation contained or incorporated by reference in the Registration Statement and the Prospectus comply in all material respects with the applicable requirements under the Act and the Exchange Act (except that certain supporting schedules are omitted); such financial statements have been prepared in accordance with accounting principles generally accepted in Canada and the United States noted therein consistently applied throughout the periods covered thereby (except as may be noted therein) and fairly present the financial position of the Corporation at the respective dates indicated and the results of its operations and its cash flows for the respective periods indicated."

(c) The existing language in Section 3(c) is deleted in its entirety and the following language is substituted:

"Each of the Underwriters shall not offer or sell, directly or indirectly, any Underwritten Securities (i) in Canada or any province or territory thereof, or to any individual or company in Canada, in contravention of the securities laws of Canada or any province or territory thereof or (ii) in any jurisdiction in the United States other than to institutional investors or as otherwise permitted by state securities or blue sky laws. Each Underwriter severally agrees that it shall not distribute any material related to the Underwritten Securities in Canada in contravention of the securities laws of Canada or any province or territory thereof."

(d) Section 3(d) is deleted.

(e) The first sentence of Section 8(a) is amended to read as follows:

"The Corporation shall indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act from and against any loss, claim, damage or liability, joint or several, and any action in respect thereof, to which they or any of them may become subject, under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise,

insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statement therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus consisting of the Basic Prospectus together with the preliminary prospectus supplement thereto related to the offering of the Underwritten Securities that is used prior to the filing of the Prospectus (the "Preliminary Prospectus") or the Prospectus or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading."

(f) The parenthetical in clause (i) of the third sentence of Section 8(c) is amended to read as follows:

"(it being understood, however, that the indemnifying party shall bear only the reasonable fees and disbursements of separate counsel and shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel as shall be reasonably necessary), approved by the Representative in the case of Section 8(a), representing the indemnified parties under such paragraph who are parties to such action)"

(g) The following language is added at the end of Section 8(c):

"No indemnifying party shall be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party (which consent shall not be unreasonably withheld), effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding."

4

(h) Clause (i) of Section 9 is amended to read as follows:

"(i) trading in securities generally on the New York Stock Exchange, Inc. shall have been suspended or limited or minimum prices shall have been established on such exchange by order of the Commission or such exchange or trading in any securities of the Corporation or trading in the common shares of Nortel Networks Corporation, in each case on the New York Stock Exchange Inc., shall have been suspended (a "Nortel Suspension"), it being understood that any such suspension resulting from one or more trading imbalances shall not be deemed a Nortel Suspension for purpose of this Section 9;"

(i) Clause (iii) of Section 9 is amended to read as follows:

"(iii) there shall have occurred any outbreak or material escalation of hostilities, a declaration by the United States of a national emergency or war, or a material adverse change in

general economic, political or financial conditions in the United States or elsewhere the effect of which on the financial markets of the United States, in the case of this clause (iii), is such as to make it, in the reasonable judgment of the Representative after consultation with the Corporation, impracticable to market the Underwritten Securities."

(j) The following three paragraphs are added to Section 10(c):

"(x) The statements set forth under the heading "Description of the Notes" in the Prospectus Supplement and the heading "Description of the Debt Securities" in the Basic Prospectus, insofar as such statements purport to summarize certain provisions of the Debt Securities, provide a fair summary of such provisions."

"(xi) The statements made in the Prospectus Supplement under the heading "United States Federal Income Tax Considerations", insofar as such statements purport to summarize certain federal income tax laws of the United States, constitute, subject to the qualifications and limitations stated therein, a fair summary of the principal U.S. federal income tax consequences of an investment in the Debt Securities."

"(xii) The statements made in the Prospectus Supplement and the Basic Prospectus under the heading "Certain Canadian

Federal Income Tax Considerations", insofar as such statements purport to summarize certain federal income tax laws of Canada, constitute, subject to the qualifications and limitations stated therein, a fair summary of the principal Canadian federal income tax consequences of an investment in the Debt Securities."

2. Subject to the terms and conditions set forth herein or incorporated by reference herein, the Underwriters offer to purchase, severally and not jointly, at the respective purchase price set forth in Schedule I hereto, the

principal amount of the Underwritten Debt Securities set forth opposite their respective names in Schedule II hereto.

3. The Corporation acknowledges that the information in the third and fifth paragraphs under the heading "Underwriting" in the Prospectus Supplement constitute the only information furnished in writing by or on behalf of the Underwriters for inclusion in the Prospectus Supplement, and we, as the Representative, confirm that such statements are correct.

4. If the firm or firms identified as Underwriters include only the firm or firms identified as the Representative, then the terms Underwriters and Representative shall each be deemed to refer to such firm or firms.

5. Please accept this offer no later than 1 P.M. on February 1, 2001, by signing a copy of this Terms Agreement in the space set forth below and returning the signed copy to us or by sending us a written acceptance in the following form:

"We hereby accept your offer, set forth in the Terms Agreement, dated February 1, 2001, to purchase the Underwritten Securities on the terms set forth therein."

Very truly yours,

CHASE SECURITIES INC.
SALOMON SMITH BARNEY INC.

By Chase Securities Inc.

By /s/ Kevin J. Kulak

Acting severally and on behalf of itself and the several Underwriters

Accepted:
NORTEL NETWORKS LIMITED

By /s/ Frank A. Dunn

Title: Chief Financial Officer

By /s/ Katharine B. Stevenson

Title: Treasurer

7

SCHEDULE I TO TERMS AGREEMENT

Description of Debt Securities:

Title: 6.125% Notes due February 15, 2006

Principal amount (including currency or composite currency): U.S. $1,500,000,000

Price to Public: 99.619% of the principal amount

Proceeds to the Corporation: 99.269% of the principal amount

Underwriting Discount: .35% of the principal amount

Sinking fund provisions: Not applicable

Redemption provisions:	The notes are redeemable, at any time at the Corporation's option, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest and a make-whole premium, as more fully described on page S-9 of the Prospectus Supplement.
Indenture:	Indenture, dated as of December 15, 2000, among the Corporation, Nortel Networks Capital Corporation and Citibank, N.A., as trustee, as the same may be amended, supplemented or restated from time to time.
Closing Location:	Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza New York, New York 10006
Closing Date:	February 8, 2001 (T + 5)
Other provisions:	The provisions for defeasance in Article Thirteen of the Indenture will apply to the notes.

<TABLE>
<CAPTION>

SCHEDULE II TO TERMS AGREEMENT

	Principal Amount of Underwritten Debt Securities to be Purchased (if any)
<S>	<C>
Underwriter	
Chase Securities Inc.	$562,500,000
Salomon Smith Barney Inc.	$562,500,000
Goldman, Sachs & Co.	$105,000,000
ABN AMRO Incorporated	$45,000,000
Bear, Stearns & Co. Inc.	$45,000,000
Credit Suisse First Boston Corporation	$45,000,000
Deutsche Banc Alex. Brown Inc.	$45,000,000
SG Cowen Securities Corporation	$45,000,000
TD Securities (USA) Inc.	$45,000,000
Total	$1,500,000,000

</TABLE>

ANNEX A TO TERMS AGREEMENT

NORTEL NETWORKS LIMITED

UNDERWRITING AGREEMENT BASIC PROVISIONS

1. INTRODUCTION

(a) The Corporation proposes to issue and sell certain of its debt securities, issuable under an indenture dated as of December 15, 2000

(the "Indenture") among the Corporation, Nortel Networks Capital Corporation and Citibank, N.A., as trustee (the "Trustee"), and/or certain of its warrants to purchase debt securities issuable pursuant to the warrant agreement (the "Warrant Agreement") identified in the Terms Agreement (as hereinafter defined) (such debt securities and warrants being sometimes collectively referred to herein as the "Securities"), in one or more offerings on terms determined at the time of sale. Such debt securities and warrants may be issued separately or together in units.

(b) The terms with respect to the purchase of the Securities from the Corporation by the several underwriters (the "Underwriters") listed in the applicable terms agreement entered into between the Representative (defined below), on behalf of such Underwriters, and the Corporation (the "Terms Agreement"), to which these Underwriting Agreement Basic Provisions constitute Annex A, are set forth in the Terms Agreement, which together with the provisions hereof incorporated therein by reference, is sometimes herein referred to as the "Agreement". The Securities to be purchased in any such offering are hereinafter referred to as the "Underwritten Securities", and any firm or firms acting as representatives of such Underwriters are herein referred to as the "Representatives". Terms defined in the Terms Agreement are used herein as therein defined.

2. REGISTRATION STATEMENT AND COMPLIANCE WITH APPLICABLE LAW

The Corporation represents and warrants to and agrees with each Underwriter that:

(a) A registration statement on Form S-3 with respect to the Securities has been prepared by the Corporation and Nortel Networks Capital Corporation in conformity with the requirements of the Securities Act of 1933 (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, has been filed with the Commission and has become effective. As used in this Agreement: (i) "Registration Statement" means such registration statement (including all documents incorporated therein by reference), as amended at the date of the Terms Agreement; (ii) "Basic Prospectus" means the prospectus (including all documents incorporated therein by reference) included in the Registration Statement; and (iii) "Prospectus" means the Basic Prospectus, together with any amendments or supplements thereto (including in each case all documents incorporated therein by reference) specifically related to the Underwritten Securities, as filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations. The

Commission has not issued any order preventing or suspending the use of the Prospectus and, to the Corporation's knowledge, no proceedings for such purpose are pending before or threatened by the Commission.

(b) The Registration Statement, as amended, as of the time it became effective and as of the date of the Terms Agreement and the Prospectus complied and (in the case of any amendment or supplement to any such document, or any material incorporated by reference in any such document filed with the Commission after the date as of which this representation is being made) will comply, in all material respects, at all times during the period specified in Section 7(c) hereof and on the Delivery Date, with the provisions of the Act, the Rules and Regulations, the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Commission thereunder; and the Indenture, including any amendments and supplements thereto pursuant to which the Underwritten Debt Securities will be issued, as of the time the Registration Statement became effective and as of the date of the Terms Agreement complies, and will comply during the period specified in Section 7(c) and on the Delivery Date (as hereinafter defined), with the requirements of the Trust Indenture Act of 1939 (the "Trust Indenture Act") and the rules and regulations of the Commission thereunder. The Registration Statement, as of the time it became effective and as of the date of the Terms Agreement, did not and will not at any time during the period specified in Section 7(c) hereof and on the Delivery Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Prospectus, as amended or supplemented as of the date of the Terms Agreement and at the time the Registration Statement became effective, did not and will not, at any time during the period specified in Section 7(c) and on the Delivery Date, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Corporation makes no representation or warranty as to: (i) that part of the Registration Statement that constitutes the Statement of Eligibility and Qualification under the Trust Indenture Act (Form T-1) of the Trustee; or (ii) information contained in or omitted from the Registration Statement or the Prospectus in reliance upon and in conformity with written information furnished to the Corporation through the Representative by or on behalf of any Underwriter specifically for use in connection with the preparation thereof.

3. PURCHASE OF THE UNDERWRITTEN SECURITIES

(a) The obligation of the Underwriters to purchase, and the Corporation to sell, the Underwritten Securities is evidenced by a Terms Agreement delivered at the time the Corporation determines to sell the Underwritten Securities. The Terms Agreement specifies the firm or firms that will be the Underwriters, the principal amount or number of

the Underwritten Securities to be purchased by each Underwriter, the purchase price or prices to be paid by the Underwriters for the Underwritten Securities, the public offering price or prices, if any, of the Underwritten Securities, and the Underwriters' compensation therefor and any terms of the Underwritten Securities not already specified in the Indenture or the Warrant Agreement, as the case may be. The Terms Agreement

specifies any details of the terms of the offering which should be reflected in the supplement to the Basic Prospectus related to the offering of the Underwritten Securities.

(b) It is understood that, in making this Agreement, the Underwriters are contracting severally and not jointly, and that their several agreements to purchase the Underwritten Securities on the basis of the agreements and representations herein contained shall be several and not joint and shall apply only to the respective principal amounts or number of the Underwritten Securities to be purchased by them as provided herein.

(c) Each of the Underwriters shall not offer or sell, directly or indirectly, any Underwritten Securities in (i) Canada or any province or territory thereof in contravention of the securities laws of Canada or any province or territory thereof or (ii) any jurisdiction in the United States other than to institutional investors or as otherwise permitted by state securities or blue sky laws.

(d) Each Underwriter shall send to any dealer who purchases from it any of the Underwritten Securities a notice stating in substance that, by purchasing such Underwritten Securities, such dealer represents that it has not offered or sold and shall not offer or sell, directly or indirectly, any of such Underwritten Securities in Canada or to, or for the benefit of, any resident of Canada in contravention of the securities laws of Canada or any province or territory thereof and that it shall deliver to any other dealer to whom it sells any of such Underwritten Securities a notice containing substantially the same statement as is contained in this sentence. It also undertakes not to distribute any offering material related to the Underwritten Securities in Canada. Each Underwriter and any dealer who purchases from it any of the Underwritten Securities may be required to furnish a certificate stating that it, or any such dealer, has complied with the restrictions set forth in this paragraph.

4. DELIVERY OF THE UNDERWRITTEN SECURITIES

The Corporation shall not be obligated to deliver any Underwritten Securities except upon payment for all Underwritten Securities to be purchased pursuant to this Agreement as hereinafter provided.

5. DEFAULT IN PERFORMANCE BY UNDERWRITER

(a) If any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated severally to purchase the Underwritten Securities which the defaulting Underwriter agreed but failed to purchase in the respective proportions which the principal amount or number, as the case may be, of Underwritten Securities set forth in the applicable column in Schedule II to the Terms Agreement to be purchased by each remaining non-defaulting Underwriter set forth in such column bears to the aggregate principal amount or number, as the case may be, of Underwritten Securities set forth in such column to be purchased by all the remaining non-defaulting Underwriters; provided that the remaining non-defaulting Underwriters shall not be obligated to purchase, respectively, any Underwritten Debt Securities, Underwritten Warrants or Underwritten Units that constitute Underwritten Securities if

the aggregate principal amount or number, as the case may be, of, respectively, such Underwritten Debt Securities, Underwritten Warrants or Underwritten Units which the defaulting Underwriter or Underwriters agreed but failed to purchase exceeds 10% of the total principal amount or number, as the case may be, of, respectively, such Underwritten Debt Securities, Underwritten Warrants or Underwritten Units. If the foregoing maximum is exceeded, the remaining non-defaulting Underwriters, or other underwriters satisfactory to the Representative, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Underwritten Securities.

(b) If the remaining non-defaulting Underwriters or other underwriters satisfactory to the Representative do not elect pursuant to the last sentence of the above paragraph to purchase the aggregate principal amount or number of Underwritten Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase that exceeds 10% of the total principal amount or number, as the case may be, of such Underwritten Debt Securities, Underwritten Warrants or Underwritten Units, this Agreement with respect to such Underwritten Debt Securities, Underwritten Warrants or Underwritten Units, as the case may be, shall terminate without liability on the part of any non-defaulting Underwriter or the Corporation.

(c) Nothing contained in this Section 5 shall relieve a defaulting Underwriter of any liability it may have to the Corporation and any non-defaulting Underwriter for damages caused by its default. If other underwriters are obligated or agree to purchase the Underwritten Securities of a defaulting Underwriter, either the Representative or the Corporation may postpone the Delivery Date for up to seven full

business days in order to effect any changes that in the opinion of counsel for the Corporation or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

6. UNDERWRITTEN SECURITIES

(a) Unless otherwise agreed, delivery of and payment for the Underwritten Securities shall be made at such location as may be agreed upon by the Representative and the Corporation (as set forth in Schedule I to the Terms Agreement) at 9:30 A.M., local time New York City, on the third business day following the date of the Terms Agreement, or at such other time and date as shall be agreed upon. This date and time are sometimes referred to as the "Delivery Date".

(b) On the Delivery Date, the Corporation shall deliver the Underwritten Securities to the Representative for the account of each Underwriter against payment to or upon the order of the Corporation of the purchase price by wire transfer to an account specified by the Corporation or other financial instrument payable in same day funds upon terms and conditions agreed to between the Corporation and the Representative.

(c) When delivered, the Underwritten Securities shall be in such form and in such permitted denominations as the Representative shall request in writing not less than two full business days prior to the Delivery Date. For the purpose of expediting the checking and

packaging of the Underwritten Securities, the Corporation shall make the Underwritten Securities available for inspection by the Representative in New York City not later than 2:00 P.M., local time New York City, on the business day prior to the Delivery Date, or at such other place and time as the parties may agree.

7. OBLIGATIONS OF THE CORPORATION

(a) The Corporation shall furnish promptly to the Representative and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed and a copy of each amendment thereto (in each case together with all exhibits filed therewith) filed prior to or on the date of the Terms Agreement or related to or covering the Underwritten Securities, and a copy of the Prospectus filed with the Commission.

(b) The Corporation shall deliver promptly to the Representative, without charge, such number of the following documents as the Representative may reasonably request: (i) conformed copies of the Registration Statement (excluding exhibits other than the Indenture, the Warrant Agreement and this Agreement); (ii) the Prospectus; and (iii) any

documents incorporated by reference in the Prospectus; and the Corporation authorizes the Underwriters and all dealers to whom any Underwritten Securities may be offered or sold by the Underwriters to use such documents during the period referred to in Section 7(c) in connection with the sale of the Underwritten Securities in accordance with the applicable provisions of the Act and the Rules and Regulations; provided that the Corporation shall be deemed to have complied with the requirements of clause (iii) of this paragraph with respect to any document filed electronically with the Commission.

(c) During such period following the date of the Terms Agreement, as in the opinion of counsel for the Underwriters, a prospectus is required by law to be delivered, but not in any event longer than 40 days from and including the date of the Terms Agreement, the Corporation shall furnish copies of: (i) any amendment to the Registration Statement; (ii) the Prospectus or any amendment or supplement thereto; or (iii) any document incorporated by reference in any of the foregoing or any amendment or supplement to any such incorporated document to the Representative and to counsel for the Underwriters prior to filing any of such items with the Commission and shall not file any such item to which the Representative shall reasonably object; provided that despite any such objection but after consultation with the Representative, including the furnishing to the Representative of drafts thereof, the Corporation may file any report or statement which in the opinion of its counsel it is required to file pursuant to the Exchange Act.

(d) The Corporation shall advise the Representative promptly: (i) when any post-effective amendment to the Registration Statement related to or covering the Underwritten Securities becomes effective; (ii) of any request by the Commission for an amendment or supplement (insofar as the amendment or supplement relates to or covers the Underwritten Securities) to the Registration Statement, to the Prospectus, to any document incorporated by reference in any of the foregoing or for any additional information related to the Registration Statement (insofar as such information relates to or covers the Underwritten Securities); (iii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any order

directed to the Prospectus or any document incorporated therein by reference or the initiation of any stop order proceeding or of any challenge to the accuracy or adequacy of any document incorporated by reference in the Prospectus; and (iv) of receipt by the Corporation of any notification with respect to the suspension of the qualification of the Underwritten Securities for sale in any jurisdiction or the initiation of any proceeding for that purpose. If at any time during the period referred to in Section 7(c) when the Prospectus related to the Underwritten Securities is required to be delivered under the Act,

any event occurs as a result of which the Prospectus as then amended or supplemented would include an untrue statement of material fact or omit to state a material fact necessary in order to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend or supplement the Prospectus to comply with the Act, the Rules and Regulations, the Exchange Act or the rules and regulations of the Commission thereunder, the Corporation shall promptly prepare and file with the Commission, subject to Section 7(c), an amendment or supplement that will correct such statement or omission or an amendment or supplement which will effect such compliance.

(e) If, during the period referred to Section 7(c), the Commission shall issue a stop order suspending the effectiveness of the Registration Statement, the Corporation shall make every reasonable effort to obtain the lifting of that order at the earliest possible time.

(f) As soon as practicable, or in accordance with Rule 158 of the Rules and Regulations, the Corporation shall make generally available to its security holders and to the Representative an earnings statement (which need not be audited) of the Corporation and its consolidated subsidiaries, that will satisfy the provisions of Section 11(a) of the Act and Rule 158 thereunder.

(g) The Corporation shall make every reasonable effort to arrange for the qualification of the Underwritten Securities for sale under the laws of such jurisdictions (other than jurisdictions outside the United States) as the Representative may reasonably designate and the Corporation shall pay all expenses (including reasonable fees and disbursements of counsel) in connection with such qualifications, to maintain such qualifications in effect during the period referred to in Section 7(c) and to arrange for the determination of the legality of the Underwritten Securities for purchase by institutional investors; provided, however, that the Corporation shall not be required to qualify to do business in any jurisdiction where it is not so qualified at the date of the Terms Agreement or to take any action that would subject it to general or unlimited service of process or to the imposition of any taxes based on, or measured by, all or any part of the income of the Corporation, in any jurisdiction where it is not at such date so subject.

(h) If the sale of the Underwritten Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 10 hereof is not satisfied or because of any refusal, inability or failure on the part of the Corporation to comply with any provision hereof other than by reason of a default by any of the Underwriters, the Corporation shall reimburse the Underwriters severally upon demand for all reasonable out-of-pocket expenses (including the reasonable fees and

disbursements of counsel for the Underwriters) that shall have been incurred by them in connection with the proposed purchase and sale of the Underwritten Securities.

8. INDEMNIFICATION

(a) The Corporation shall indemnify and hold harmless each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act from and against any loss, claim, damage or liability, joint or several, and any action in respect thereof, to which they or any of them may become subject, under the Act, the Exchange Act or other federal or state statutory law or regulation, at common law or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus consisting of the Basic Prospectus together with the preliminary prospectus supplement thereto related to the offering of the Underwritten Securities that is used prior to the filing of the Prospectus (the "Preliminary Prospectus") or the Prospectus or arises out of, or is based upon, the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Corporation shall reimburse each indemnified party for any reasonable legal and other expenses reasonably incurred by such indemnified party in investigating or defending against any such loss, claim, damage, liability or action; provided that the Corporation shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission: (i) made in the Registration Statement, the Preliminary Prospectus or the Prospectus in reliance upon and in conformity with written information furnished to the Corporation through the Representative by or on behalf of any Underwriter for use in connection with the preparation thereof; or (ii) contained in that part of the Registration Statement constituting the Statement of Eligibility and Qualification under the Trust Indenture Act (Form T-1) of the Trustee; provided further, that the Corporation shall not be liable for the amount of any settlement of any claim made without its consent, which consent will not be unreasonably withheld; and provided further, that as to any Preliminary Prospectus, this indemnity shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) on account of any loss, claim, damage, liability or action arising from the sale of Underwritten Securities to any person by that Underwriter if that Underwriter failed to send or give a copy of the Prospectus, as the same may be amended or supplemented (for purposes of this paragraph, the "Final Prospectus"), to that person within the time required by the Act, and the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such Preliminary Prospectus was corrected in the Final

Prospectus, unless such failure resulted from non-compliance by the Corporation with Section 7(b). For purposes of the final proviso to the immediately preceding sentence, the term Final Prospectus shall not be deemed to include the documents incorporated therein by reference, and no Underwriter shall be obligated to send or give any supplement or amendment to any document incorporated by reference in any Preliminary Prospectus or the Final Prospectus to any person other than a person to whom such Underwriter has delivered such incorporated documents in response to a written or oral request therefor. The

foregoing indemnity is in addition to and not in limitation or duplication of any liability or right that the Corporation may otherwise have to an Underwriter or any person who controls an Underwriter.

(b) Each Underwriter shall indemnify and hold harmless the Corporation, each of its directors, each of its officers who signed the Registration Statement and any person who controls the Corporation within the meaning of the Act or the Exchange Act, to the same extent (including, without limitation, the reimbursement of expenses) as the foregoing indemnity from the Corporation to each Underwriter as set forth in the above paragraph, but only with reference to written information furnished to the Corporation through the Representative by or on behalf of that Underwriter for use in connection with the preparation of the documents referred to in the foregoing indemnity. The foregoing indemnity is in addition to and not in limitation or duplication of any liability that any Underwriter may otherwise have to the Corporation or any of its directors, officers or controlling persons.

(c) Promptly after receipt by an indemnified party under Sections 8(a) or (b) above of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under either such paragraph, notify the indemnifying party in writing of the claim or the commencement of that action, provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under this Section 8. If any action shall be brought against an indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that

there are likely to be substantial legal defenses available to it and the other indemnified parties which are different from and additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assert such legal defenses and otherwise to participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party shall not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless: (i) the indemnified party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the immediately preceding sentence (it being understood, however, that the indemnifying party shall bear only the reasonable fees and disbursements of separate counsel and shall not be liable for the expenses of more than one separate counsel, approved by the Representative in the case of Section 8(a), representing the indemnified parties under such paragraph who are parties to such action); (ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement

of the action; or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability shall be only in respect of the counsel referred to in such clause (i) or (iii).

(d) To provide for just and equitable contribution in circumstances in which the indemnification provided for in Sections 8(a) or (b) is due in accordance with its terms but is for any reason other than as specified in Section 8(a) held by a court to be unavailable on the grounds of policy or otherwise, the Corporation and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including reasonable legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Corporation and one or more of the Underwriters may be subject in such proportion so that the Underwriters are responsible for that portion represented by the percentage that the underwriting discount related to the relevant Underwritten Securities bears to the sum of such discount and the purchase price of the relevant Underwritten Securities specified in Schedule I to the Terms Agreement and the Corporation is responsible for the balance; provided, however, that: (i) in no case shall any Underwriter (except as may be provided in any applicable agreement among underwriters) be responsible for any amount in excess of the underwriting discount applicable to the Underwritten

Securities purchased by such Underwriter hereunder; and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this paragraph are several in proportion to their respective underwriting percentages and not joint. For purposes of this Section 8, each person who controls an Underwriter within the meaning of the Act or the Exchange Act shall without duplication have the same rights to contribution as such Underwriter, and each person who controls the Corporation within the meaning of the Act or the Exchange Act, each officer of the Corporation who shall have signed the Registration Statement and each director of the Corporation shall have the same rights to contribution as the Corporation, subject in each case to clauses (i) and (ii) of this paragraph. Any party entitled to contribution shall, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph, notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have otherwise than under this paragraph.

9. TERMINATION OF UNDERWRITERS' OBLIGATIONS

The obligations of the Underwriters under this Agreement may be terminated by the Representative, in its absolute discretion, by notice given to and received by the Corporation prior to the delivery of and payment for the Underwritten Securities, if, during the period beginning on the date of the Terms Agreement to and including the Delivery Date: (i) trading in securities generally on the New York Stock Exchange, Inc. shall have been suspended or limited or minimum prices shall have been established on such Exchange by order of the Commission or any other governmental authority; (ii) a

banking moratorium is declared by either United States federal or New York State authorities; or (iii) there shall have occurred any outbreak or material escalation of hostilities the effect of which on the financial markets of the United States is such as to make it, in the reasonable judgment of the Representative, impracticable to market the Underwritten Securities.

10. ADDITIONAL CONDITIONS TO THE RESPECTIVE OBLIGATIONS OF THE UNDERWRITERS

(a) The respective obligations of the Underwriters under this Agreement with respect to the Underwritten Securities are subject to the accuracy in all material respects on the date of the Terms Agreement and on the Delivery Date of the representations and warranties of the Corporation

contained herein, to performance by the Corporation in all material respects of its obligations hereunder, and to each of the following additional terms and conditions applicable to the Underwritten Securities.

(b) At or before the Delivery Date, no stop order suspending the effectiveness of the Registration Statement or any order directed to any document incorporated by reference in the Prospectus shall have been issued and remain in effect and no proceeding for that purpose shall be pending or, to the knowledge of the Corporation or the Representative, threatened by the Commission.

(c) The Corporation shall have furnished to the Representative, on the Delivery Date, the opinion of Nicholas J. DeRoma, Chief Legal Officer of the Corporation ("Counsel"), dated the Delivery Date, to the effect that:

(i) the Corporation has been duly incorporated and is a validly existing corporation under the laws of Canada, with corporate power and authority to conduct its business as currently conducted and described in the Prospectus;

(ii) the execution and delivery of the Indenture have been duly authorized, the Indenture has been executed and delivered by the Corporation and is qualified under the Trust Indenture Act and, assuming the requisite corporate capacity and powers of, and the due authorization, execution and delivery by Nortel Networks Capital Corporation and the Trustee, constitutes a valid and binding agreement of the Corporation enforceable in accordance with its terms;

(iii) the issue, execution and delivery of the Underwritten Securities have been duly authorized in accordance with the Indenture and the Underwritten Securities have been duly executed and delivered by the Corporation and, assuming authentication by the Trustee, constitute valid and binding obligations of the Corporation enforceable in accordance with their terms;

(iv) the execution and delivery of the Warrant Agreement have been duly authorized, the Warrant Agreement has been executed and delivered by the Corporation and, assuming the requisite corporate capacity and powers of, and the due authorization, execution and delivery by the warrant agent named in the Warrant Agreement, constitutes a valid and binding agreement of the Corporation enforceable in accordance with its terms;

(v) the execution and delivery of this Agreement have been duly

authorized and the Agreement has been duly executed and delivered by the Corporation;

(vi) the issue and sale of the Underwritten Securities to the Underwriters pursuant to this Agreement and the consummation of the other transactions herein contemplated (x) do not require (except for the exemption orders of the Director under the Canada Business Corporations Act pursuant to Section 82(3) of that Act and of the Commission des valeurs mobilieres du Quebec pursuant to Section 12 of the Securities Act (Quebec), which orders were granted, and the sending of the Prospectus to the Director under the Canada Business Corporations Act pursuant to Section 193 thereunder, which was effected) the consent, approval or authorization of or filing or registration with, any governmental body or regulatory authority in Canada, and (y) do not conflict with or constitute a breach of or default under the constating documents or bylaws of the Corporation;

(vii) the Registration Statement is effective under the Act and, to the best of Counsel's knowledge, no stop order with respect thereto has been issued, or proceeding for that purpose has been instituted or threatened, by the Commission;

(viii) to the best of Counsel's knowledge, no order directed to any document incorporated by reference in the Prospectus has been issued and remains in effect, or is threatened to be issued, by the Commission; and

(ix) to the best of Counsel's knowledge, other than as disclosed in the Prospectus, neither the Corporation nor any of its subsidiaries is involved in any litigation, arbitration or legal proceedings which are material to the Corporation and its subsidiaries taken as a whole nor is there any such litigation, arbitration or legal proceedings pending or threatened.

The opinions expressed above will be subject to those assumptions and qualifications reasonably satisfactory to such Counsel including without limitation, with respect to the opinions expressed in Sections 10(c)(ii), (iii) and (iv) above that:

(v) enforceability may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting the enforcement of creditors' rights generally;

(w) equitable remedies, including the remedies of specific performance and injunction, may only be granted at the discretion of a court of competent jurisdiction;

(x) the Currency Act (Canada) precludes the courts in Canada from

awarding a judgment for an amount expressed in a currency other than Canadian dollars;

(y) any requirement that interest, as defined in Section 347 of the Criminal Code (Canada), be paid by the Corporation at an effective annual rate in excess of 60 percent is not enforceable, and such requirement may not be severable from the remainder of the document in which it is contained; and

20

(z) no opinion is expressed with respect to the enforceability of any provisions relating to indemnity and contribution.

(d) Counsel, in rendering his opinion, may rely as to matters of fact, to the extent he deems proper, on certificates of responsible officers of the Corporation and its subsidiaries or public officials. He may also rely upon legal opinions provided to him. In addition, he may rely upon determinations of responsible officers of the Corporation with respect to the verification, characterization and quantification of various assets and liabilities. Furthermore, he may assume without independent investigation: (i) the authenticity of any document or instrument submitted to him as an original, the conformity to the authentic original of any document or instrument submitted to him as a certified, conformed or photographic copy and the genuineness of all signatures on such originals or copies; and (ii) with respect to parties to an agreement, other than the Corporation, the due execution and delivery, pursuant to due authorization, of such agreement and that such agreement constitutes a legal, valid and binding agreement of all such parties.

(e) In addition, Counsel shall advise by letter, based on his participation in the preparation of the Registration Statement and Prospectus (but without independent check or verification of the contents thereof except as specified therein), that:

(i) the Registration Statement, as of its effective date, and the Prospectus, as of its date and the date of the supplement to the Basic Prospectus (in each case, except for the documents incorporated by reference therein, the financial statements and other financial and statistical data included or incorporated by reference therein and the information included therein under the caption "Plan of Distribution" or "Underwriting", as to which Counsel need express no view), appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the Rules and Regulations; and

(ii) no information has come to Counsel's attention that causes him to believe that the Registration Statement (except the

financial statements and other financial and statistical data included or incorporated by reference therein and the information included therein under the caption "Plan of Distribution" or "Underwriting", as to which Counsel need express no view), at the time it became effective, or on the date of such opinion contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus (except as aforesaid) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The Corporation shall have furnished to the Representative, as of the date of the Terms Agreement and on the Delivery Date, a letter of Deloitte & Touche LLP or another internationally recognized firm of chartered accountants or certified public accountants, addressed to the Underwriters and dated the Delivery Date, of the type described in the Canadian Institute of Chartered Accountants Handbook, Section 7100, or in the American Institute of Certified Public Accountants' Statement on Auditing Standards No.

72 and covering such specified financial statement items as may be agreed between the Corporation and the Representative.

(g) The Representative shall have received, on the Delivery Date, from Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Underwriters, such opinion or opinions, dated the Delivery Date, with respect to the issuance and sale of the Underwritten Securities, the Indenture, the Warrant Agreement, the Registration Statement, the Prospectus and other related matters as the Representative may reasonably require, and the Corporation shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(h) The Corporation shall have furnished to the Representative, on the Delivery Date, a certificate of the Corporation, signed by any two of the President and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or any one of the aforesaid officers together with any one of the Corporate Secretary, the Controller, the Treasurer, any Assistant Controller, any Assistant Secretary or any Assistant Treasurer, dated the Delivery Date, to the effect that the signers of such certificate have examined the Registration Statement, the Prospectus and this Agreement and that:

(i) the representations and warranties of the Corporation in this Agreement are true and correct in all material respects on and

as of the Delivery Date with the same effect as if made on the Delivery Date and the Corporation has complied in all material respects with all the agreements and satisfied in all material respects all the conditions on its part to be performed or satisfied at or prior to the Delivery Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and remains in effect and no proceedings for that purpose are pending or, to the knowledge of each such person, threatened by the Commission, and no order directed to any document incorporated by reference in the Prospectus has been issued and remains in effect or, to the knowledge of each such person, is threatened to be issued by the Commission; and

(iii) since the date of the most recent financial statements included in the Prospectus, there has been no material adverse change in the condition (financial or other), earnings, business or properties of the Corporation and its subsidiaries, taken as a whole, except as set forth in or contemplated in the Prospectus.

(i) During the period commencing the date of the Terms Agreement and terminating the Delivery Date, no downgrading shall have occurred in the rating of the Corporation's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act and no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Corporation's debt securities.

11. SURVIVAL OF REPRESENTATIONS AND INDEMNIFICATION

The respective agreements, representations, warranties, indemnities and other statements of the Corporation or its officers and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Corporation or any of the officers, directors or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Underwritten Securities for a period of two years after such delivery.

12. NOTICES

All communications hereunder will be in writing and effective only on receipt, and, if sent to the Underwriters, will be mailed, delivered or sent by electronic transfer including telex or facsimile and confirmed to the Representative first named in the Terms Agreement, or, if sent to the

Corporation, will be mailed, delivered or sent by electronic transfer including telex or facsimile and confirmed to it at Nortel Networks Limited, 8200 Dixie Road, Suite 100, Brampton, Ontario, Canada, L6T 5P6, Attention: Corporate Secretary, (facsimile number (905) 863-8423).

13. SUCCESSORS

This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8 hereof, and no other person shall have any right or obligation hereunder.

14. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. APPLICABLE LAW

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario, Canada, except that Sections 2, 7 and 8 will be governed by and construed in accordance with the laws of the State of New York, United States.

1

Exhibit 4.1

NORTEL NETWORKS LIMITED

AND

NORTEL NETWORKS CAPITAL CORPORATION

as Issuers,

NORTEL NETWORKS LIMITED

as Guarantor,

AND

CITIBANK, N. A.

as Trustee

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF FEBRUARY 1, 2001

TO

INDENTURE DATED AS OF DECEMBER 15, 2000

2

FIRST SUPPLEMENTAL INDENTURE dated as of February 1, 2001 (this "First Supplemental Indenture") to the Indenture dated as of December 15, 2000 (the "Original Indenture") among Nortel Networks Limited (the "Corporation"), a Canadian corporation having its principal place of business at 8200 Dixie Road, Suite 100, Brampton, Ontario, Canada L6T 5P6, Nortel Networks Capital Corporation (the "Finance Subsidiary" and together with the Corporation in its

capacity as an issuer of Debt Securities, the "Issuers" and each an "Issuer"), a Delaware corporation having its principal place of business at Nortel Networks Plaza, 200 Athens Way, Nashville, Tennessee, U.S.A. 37228-1397, Nortel Networks Limited, in its capacity as guarantor of Debt Securities issued by the Finance Subsidiary (the "Guarantor"), and Citibank, N.A., a national banking association duly organized under the laws of the United States of America (the "Trustee"), having its Corporate Trust Office at 111 Wall Street, 14th Floor, New York, New York, U.S.A. 10005, Attn: Citibank Agency & Trust Services.

WHEREAS, the Corporation, the Finance Subsidiary and the Trustee have heretofore executed and delivered the Original Indenture to provide for the issuance of securities of the Corporation and the Finance Subsidiary in one or more registered series;

WHEREAS, Article Nine of the Original Indenture provides, among other things, that the Corporation, the Finance Subsidiary and the Trustee may enter into indentures supplemental to the Original Indenture to, among other things, provide for the issuance of any series of Debt Securities and to set forth the terms thereof;

WHEREAS, the Corporation desires to provide for the issuance of a series of Debt Securities to be designated the "6.125% Notes due February 15, 2006" (the "6.125% Notes") and to set forth the terms that will be applicable thereto;

WHEREAS, all action on the part of the Corporation necessary to authorize the issuance of the 6.125% Notes under the Original Indenture and this First Supplemental Indenture (the Original Indenture, as supplemented by this First Supplemental Indenture, being hereinafter called the "Indenture") has been duly taken; and

WHEREAS, all acts and things necessary to make the 6.125% Notes, when executed by the Corporation and authenticated and delivered by the Trustee as provided in the Original Indenture, the valid and binding obligations of the Corporation, and to constitute these presents a valid and binding supplemental indenture according to its terms binding on the Corporation, have been done and performed.

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

SECTION 1. CREATION OF 6.125% NOTES.

Pursuant to Section 301 of the Original Indenture, there is hereby created a new series of Debt Securities designated as the "6.125% Notes due February 15, 2006" issuable by the Corporation. The 6.125% Notes shall be Global Securities in the form specified in Exhibit A to this First Supplemental Indenture, shall have the terms set forth therein and shall be entitled to the benefits of the other provisions of the Original Indenture as modified by this First Supplemental Indenture and specified herein. The Depository Trust Company ("DTC") and its nominees and any successor corporation of DTC and such successor's nominees are

hereby designated as the Depositary for the Global Securities representing the 6.125% Notes.

SECTION 2. DEFINITIONS.

a) Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned thereto in the Original Indenture.

b) Solely for purposes of this First Supplemental Indenture and the 6.125% Notes and except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the indicated meanings (such meanings shall apply equally to both the singular and plural forms of the respective terms):

"Adjusted Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the second business day immediately preceding that Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the 6.125% Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding that Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Corporation to act as the "Independent Investment Banker".

"Outstanding" when used with respect to the 6.125% Notes has the same meaning assigned to "Outstanding" when used with respect to "Debt Securities" in the Original Indenture, except that references to

"Debt Securities" shall be replaced by references to the "6.125% Notes".

"Reference Treasury Dealer" means each of Chase Securities Inc. and Salomon Smith Barney Inc. and their respective successors and three other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Corporation; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Corporation shall substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference

Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding that Redemption Date.

"Remaining Scheduled Payments" means, with respect to each 6.125% Note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Redemption Date but for such redemption; provided, however, that, if that Redemption Date is not an interest payment date with respect to such 6.125% Note, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that Redemption Date.

SECTION 3. OPTIONAL REDEMPTION.

The 6.125% Notes will be redeemable, in whole or in part, at the option of the Corporation at any time and from time to time at a Redemption Price equal to the greater of (i) 100% of the principal amount of the 6.125% Notes to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments discounted to the relevant Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 25 basis points together with, in each case, accrued interest on the principal amount of the 6.125% Notes to be redeemed to the Redemption Date.

SECTION 4. GOVERNING LAW.

This First Supplemental Indenture and the 6.125% Notes shall be governed by, and construed in accordance with, the laws of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent that

the application of the law of another jurisdiction would be required thereby.

5

SECTION 5. NO RECOURSE AGAINST OTHERS.

No recourse for the payment of the principal of, premium, if any, or interest on any of the 6.125% Notes, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Corporation contained in this First Supplemental Indenture, or in any of the 6.125% Notes, or because of the creation of any indebtedness represented thereby shall be had against any incorporator or against any past, present or future partner, shareholder, other equityholder, officer, director, employee or controlling person, as such, of the Corporation or of any successor Person, either directly or through the Corporation or any successor Person, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, it being expressly understood that all such liability is hereby expressly waived and released as condition of, and as a consideration for, the execution of this First Supplemental Indenture and the issue of the 6.125% Notes.

Section 6. COUNTERPARTS.

This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the day, month and year first above written.

NORTEL NETWORKS LIMITED, as Issuer

By:_____
Name:
Title:

By:_____
Name:
Title:

NORTEL NETWORKS CAPITAL CORPORATION

By:_____
Name:
Title:

By:_____
Name:

Title:

CITIBANK, N.A., as Trustee

By:_____
Name:
Title:

6

EXHIBIT A

THIS IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO THE CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

No. Principal Amount U.S.$
CUSIP NO. (656569AA8)
ISIN NO. (US656569AA83)

NORTEL NETWORKS LIMITED, a corporation organized under the laws of Canada, promises to pay to CEDE & CO., or registered assigns, the principal sum of U.S.$, on February 15, 2006.

Interest Payment Dates: February 15 and August 15

Regular Record Dates: February 1 and August 1

7

Additional provisions of this Note are set forth on the other side of this Note.

NORTEL NETWORKS LIMITED

By:_____
Name:
Title:

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

Citibank, N.A.,
as Trustee, certifies
that this is one of
the 6.125% Notes due
February 15, 2006 referred
to in the Indenture.

By: _____
Authorized Signatory

Date: _____

8

REVERSE SIDE OF NOTE

6.125% NOTES DUE FEBRUARY 15, 2006 (the "Notes")

1. Interest

Nortel Networks Limited, a corporation organized under the laws of Canada (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Corporation"), promises to pay interest on the principal amount of this Note at the rate per annum shown above.

The Corporation will pay interest semi-annually in arrears on each Interest Payment Date of each year commencing August 15, 2001. Interest on the Notes will accrue from the most recent date to which interest has been paid on the Notes or, if no interest has been paid, from the issue date, being

February 8, 2001, to but not including the subsequent Interest Payment Date. The Corporation shall pay interest on overdue principal (plus interest on such interest to the extent lawful), at the rate borne by the Notes to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment

The Corporation will pay interest to the Persons who are registered Holders of Notes at the close of business on the Regular Record Date preceding the Interest Payment Date even if Notes are canceled, repurchased or redeemed after the Regular Record Date and on or before the relevant Interest Payment Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Corporation will pay principal and interest in U.S. currency.

Payments in respect of Notes represented by a Global Security (including principal and interest) will be made by the transfer of immediately available funds to the accounts specified by DTC. The Corporation will make all payments in respect of a definitive Note (including principal and interest) by mailing a check to the address of each Person entitled thereto or by wire transfer to an account designated by such Person, at the option of the Corporation.

3. Paying Agent

Initially, Citibank, N.A. (the "Trustee"), will act as Trustee and Paying Agent. The Corporation may appoint and change any Paying Agent without notice to any Holder. The Corporation and any of its Affiliates may act as Paying Agent.

4. Indenture

The Corporation issued the Notes under an Indenture by and among the Corporation, Nortel Networks Capital Corporation ("NNCC") and the Trustee, dated as of December 15, 2000, as supplemented by the First Supplemental Indenture by and among the Corporation, NNCC and the Trustee, dated as of February 1, 2001 (as amended or supplemented from time to time in accordance with the terms thereof, collectively, the "Indenture"). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. Section Section 77aaa-77bbbb) as in effect on the date

of the Original Indenture (the "Act"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Act for a statement of those terms. Each Holder by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as amended from

time to time.

The Notes are senior unsecured obligations of the Corporation, ranking pari passu in right of payment with each other and with all senior unsecured indebtedness of the Corporation.

The Indenture imposes certain limitations on, among other things, the ability of the Corporation and its Restricted Subsidiaries, as applicable, to: (i) incur Funded Debt, (ii) incur Liens or (iii) amalgamate, merge or transfer or convey all or substantially all of the Corporation's and its Subsidiaries' assets, in each case as provided for in the Indenture.

5. Optional Redemption

The Notes will be redeemable, in whole or in part, at the Corporation's option at any time and from time to time at a Redemption Price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the Remaining Scheduled Payments discounted to the relevant Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate plus 25 basis points together with, in each case, accrued interest on the principal amount of the Notes to be redeemed to the Redemption Date.

Notice of any redemption will be mailed at least 30 days but not more than 45 days before the Redemption Date to each Holder of the Notes to be redeemed. On and after any Redemption Date, interest will cease to accrue on the Notes or any portion thereof called for redemption. On or before any Redemption Date, the Corporation shall deposit with the Paying Agent (or the Trustee) money sufficient to pay the Redemption Price of and accrued interest on the Notes to be redeemed on that Redemption Date. If less than all the Notes are to be redeemed, the Notes to be redeemed shall be selected by the Trustee by such method as the Trustee shall deem fair and appropriate. The Redemption Price shall be calculated by the Independent Investment Banker and the Corporation, the Trustee and the Paying Agent shall be entitled to rely on such calculation.

6. Denominations; Transfer; Exchange

The Notes are issued in fully registered book-entry form without coupons, and only in denominations of principal amount of $1,000 and any integral multiple thereof. A Holder may transfer or exchange Notes in accordance with the Indenture. The Corporation may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Corporation need not register the transfer of or exchange (i) any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) for a period beginning 15 days before the mailing of a notice of Notes to be redeemed and ending on the date of such mailing or (ii) any Notes so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

10

7. Persons Deemed Owners

The registered holder of this Note may be treated as the owner of it for all purposes.

8. Unclaimed Money

If money for the payment of principal, premium, if any, or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Corporation at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Corporation and not to the Trustee for payment.

9. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture, as it pertains to the Notes, or the Notes may be amended with the written consent of the Holders of at least a majority in principal amount of the then Outstanding Notes and (ii) any default (other than with respect to nonpayment or in respect of a provision in the Indenture that cannot be modified or amended under Article Nine without the written consent of each Holder of the Notes affected) or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount of the then Outstanding Notes.

Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Corporation and the Trustee may amend the Indenture or the Notes, among other things, to (i) evidence the succession of another corporation to the Issuer and the assumption by such successor of the covenants of such Issuer, (ii) add additional covenants or surrender rights and powers conferred on the Corporation, (iii) add additional Events of Default, (iv) change or eliminate any restrictions on the payment of principal or premium, if any, provided that any such action shall not adversely affect the interests of the Holders in any material respect, (v) change or eliminate any provision provided that any such change or elimination shall become effective only when there are no Outstanding Debt Securities of any series created prior to the execution of such amendment that is entitled to the benefit of such provision, (vi) evidence and provide for the appointment of a successor trustee, (vii) add guarantees with respect to the Notes or to secure the Notes, (viii) add guarantees by any Person of the Corporation's obligations under the Indenture, (ix) supplement any provisions of the Indenture in order to permit or facilitate defeasance or discharge of the Notes, provided that any such action shall not adversely affect the interests of the Holders of the Notes in any material respect, or (x) cure any ambiguity, omission, defect or inconsistency or make any other provisions with respect to matters or questions arising under the Indenture that shall not be inconsistent with any provisions of the Indenture, provided such other provisions shall not adversely affect the

interests of any Holder in any material respect.

10. Defaults and Remedies

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Outstanding Notes may declare all the Notes to be due and payable immediately.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in principal amount of the Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

11. Trustee Dealings with the Corporation

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Corporation or its Affiliates and may otherwise deal with the Corporation or its Affiliates with the same rights it would have if it were not Trustee.

12. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling person, as such, of the Corporation shall not have any liability for any obligations of the Corporation under the Notes, the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

13. Defeasance; Discharge

As provided in Article Thirteen of the Indenture, the Corporation may defease and be discharged from any and all of its obligations, covenants and agreements with respect to the Notes and the Indenture or be released from its obligations with respect to the covenants contained in Section 1004 of the Indenture.

14. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the

certificate of authentication on the other side of this Note.

15. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian) and U/G/M/A (=Uniform Gift to Minors Act).

16. CUSIP and ISIN Numbers

The Corporation has caused CUSIP numbers and/or ISIN numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers and/or ISIN numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

17. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

18. Agent for Service; Submission to Jurisdiction; Waiver of Immunities.

The Corporation has agreed that any suit, action or proceeding against the Corporation brought by any Holder or the Trustee arising out of or based upon the Indenture or the Notes may be instituted in any state or federal court in the Borough of Manhattan, The City of New York, New York, United States, and any appellate court from any thereof. The Corporation has irrevocably submitted to the non-exclusive jurisdiction of such courts for such purpose and any objection it may now or hereafter have to the laying of venue of any such proceeding, and any claim it may now or hereafter have that any proceeding in any such court is brought in an inconvenient forum. The Corporation has appointed CT Corporation System as its authorized agent upon whom all writs, process and summonses may be served in any suit, action or proceeding arising out of or based upon the Indenture or the Notes which may be instituted in any state or federal court in the Borough of Manhattan, The City of New York, New York.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

_____

(Print or type assignee's name, address and zip code)

_____

_____

(Insert assignee's Social Security or Tax I.D. Number)

and irrevocably appoint the transfer agent to transfer this Note on the books of the Corporation. The agent may substitute another to act for him.

Date:_____ Your Signature:_____

Signature Guarantee:_____

(Signature must be guaranteed)

_____

Sign exactly as your name appears on the other side of this Note.

Exhibit 23.1

CONSENT OF CLEARY, GOTTLIEB, STEEN & HAMILTON

We hereby consent to the use of our name under the caption "United States Federal Income Tax Considerations" in the Prospectus Supplement of Nortel Networks Limited dated February 1, 2001. The Prospectus Supplement relates to the registrant's shelf registration statement on Form S-3 (No. 333-5188).

In giving this consent, we do not hereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission.

CLEARY, GOTTLIEB, STEEN & HAMILTON

By: /s/ Craig B. Brod

Craig B. Brod, a Partner

New York, New York
February 1, 2001

Exhibit 23.2

CONSENT OF OGILVY RENAULT

We hereby consent to the use of our name under the caption "Canadian Federal Income Tax Considerations" in (i) the Prospectus Supplement of Nortel Networks Limited dated February 1, 2001 and filed with the Securities and Exchange Commission pursuant to Rule 424(b)(2) under the Securities Act of 1933, as amended and (ii) the Prospectus contained in the registrant's shelf registration statement on Form S-3 (No. 333-5188).

In giving this consent, we do not hereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission.

/s/ Ogilvy Renault

Toronto, Ontario
February 1, 2001

EXHIBIT 99.1

[NORTEL LETTERHEAD]

NEWS RELEASE

www.nortelnetworks.com

FOR IMMEDIATE RELEASE FEBRUARY 1, 2001

For more information

Business Media
David Chamberlin
Nortel Networks
972-685-4648
ddchamb@nortelnetworks.com

Investor Relations
Nortel Networks
800-901-7286
905-863-6049
investor@nortelnetworks.com

NORTEL NETWORKS LIMITED ANNOUNCES DEBT OFFERING

TORONTO - Nortel Networks* Limited ("NNL") today announced an offering of US$ 1.5 billion of 6.125% Notes which mature on February 15, 2006. The offering is expected to close on February 8, 2001.

The securities are being offered pursuant to a prospectus supplement dated February 1, 2001 and accompanying prospectus related to an effective shelf registration statement filed with the United States Securities and Exchange Commission by NNL. NNL will apply the net proceeds of the offering to its general funds to be used for general corporate purposes as well as investments in and/or loans to its affiliates, which in turn will use the funds for general corporate purposes.

JP Morgan and Salomon Smith Barney are joint managers of the issue.

This press release shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. These securities will not be qualified for sale in any province or territory of Canada by way of a prospectus and may not be offered or sold in Canada except pursuant to an available prospectus exemption.

NNL is a subsidiary of Nortel Networks Corporation.(a) Nortel Networks is a global Internet and communications leader with capabilities spanning Optical, Wireless, Local Internet and eBusiness. Nortel Networks serves carrier, service provider and enterprise customers globally. Today, Nortel Networks is creating a high-performance Internet that is more reliable and faster than ever before. It is redefining the economics and quality of networking and the Internet, promising a new era of collaboration, communications and commerce. Visit us at www.nortelnetworks.com.

Certain information included in this press release is forward-looking and is subject to important risks and uncertainties. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, among other things: the impact of price and product competition; the dependence on new product development; the impact of rapid technological and market change; the ability to make acquisitions and/or integrate the operations and technologies of acquired businesses in an effective manner; general industry and market conditions and growth rates; international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; the impact of consolidations in the telecommunications industry; the uncertainties of the Internet; stock market volatility; the ability to recruit and retain qualified employees; the ability to obtain timely, adequate and reasonably priced component parts from suppliers and internal manufacturing capacity; and the impact of increased provision of customer financing. For additional information with respect to certain of these and other factors, see the reports filed by NNL and Nortel Networks Corporation with the United States Securities and Exchange Commission. NNL and Nortel Networks Corporation disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

- end -

(a) On May 1, 2000, Nortel Networks Corporation acquired all of the outstanding common shares of NNL (formerly called Nortel Networks Corporation) by way of a Canadian court-approved plan of arrangement (the "Arrangement"). The preferred shares and debt securities of NNL outstanding immediately prior to the Arrangement remain outstanding and continue to be obligations of NNL.

*Nortel Networks, the Nortel Networks logo and the Globemark are trademarks of Nortel Networks.