

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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NORTEL NETWORKS CORP

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) MARCH 15, 2004

NORTEL NETWORKS CORPORATION

(Exact name of registrant as specified in its charter)

CANADA

001-07260

NOT APPLICABLE

(State or other jurisdiction of incorporation)

(Commission
File Number)

(IRS Employer Identification No.)

8200 DIXIE ROAD, SUITE 100, BRAMPTON, ONTARIO, CANADA

L6T 5P6

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 905-863-0000

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On March 15, 2005, the registrant issued a press release (the "Press Release"), attached hereto as Exhibit 99.1, announcing that Nortel Networks Limited (the registrant's principal direct operating subsidiary) obtained a new waiver from Export Development Canada ("EDC"), the terms and conditions of which are summarized in the Press Release which is incorporated by reference herein. A copy of the letter agreement containing the waiver to the EDC Support Facility (as defined in the Press Release) is filed herewith as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release issued by the registrant on March 15, 2005.

99.2 Letter Agreement dated March 15, 2005 between Nortel Networks Limited and EDC.

SIGNATURES

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

NORTEL NETWORKS CORPORATION

By: /s/ GORDON A. DAVIES
Gordon A. Davies
Assistant General Counsel – Securities
and Corporate Secretary

By: /s/ Tracy S.J. Connelly McGilley
Tracy S.J. Connelly McGilley
Assistant Secretary

Dated: March 16, 2005

EXHIBIT INDEX

Exhibit No.	Description
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- | | |
|------|--|
| 99.1 | Press Release issued by the registrant on March 15, 2005. |
| 99.2 | Letter Agreement dated March 15, 2005 between Nortel Networks Limited and EDC. |



News Release

www.nortel.com

FOR IMMEDIATE RELEASE

March 15, 2005

For more information:

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Nortel Announces New Waiver from Export Development Canada

TORONTO – Nortel* Networks Corporation [NYSE/TSX: NT] today announced that its principal operating subsidiary, Nortel Networks Limited (“NNL”), has obtained a new waiver from Export Development Canada (“EDC”) of certain defaults and related breaches by NNL under its performance-related support facility with EDC (the “EDC Support Facility”). NNL’s prior waiver from EDC under the EDC Support Facility, previously announced on February 15, 2005, was set to expire on March 15, 2005.

The new waiver from EDC will remain in effect until the earlier of certain events including:

the date on which the Company and NNL’s respective Q3 2004 Quarterly Reports on Form 10-Q (the “Third Quarter Reports”) and 2004 Annual Reports on Form 10-K (the “2004 Annual Reports”) have been filed with the United States Securities and Exchange Commission (the “SEC”); or

April 30, 2005.

If the Company and NNL fail to file the Third Quarter Reports and the 2004 Annual Reports (collectively, the “Reports”) with the SEC by April 30, 2005, EDC will have the right (absent a further waiver, the receipt or terms of which cannot be assured), to terminate the EDC Support Facility, exercise certain rights against collateral or require NNL to cash collateralize all existing support. In addition, the related breaches will not be cured by the filing of the Reports. Accordingly, beginning on the earlier of the date upon which the Company and NNL file the Reports with the SEC and April 30, 2005, EDC will have the right to terminate or suspend the EDC Support Facility notwithstanding the filing of the Reports. While NNL intends to seek a permanent waiver from EDC in connection with the related breaches, the receipt or terms of any such waiver cannot be assured.

The EDC Support Facility provides up to US\$750 million in support, all presently on an uncommitted basis. The US\$300 million revolving small bond sub-facility of the EDC Support Facility will not become committed support until all of the Reports are filed with the SEC and NNL obtains a permanent waiver of the Related Breaches. As of March 14, 2005, there was approximately US\$239 million of outstanding support utilized under the EDC Support Facility, approximately US\$170 million of which was outstanding under the small bond sub-facility.

About Nortel

Nortel is a recognized leader in delivering communications capabilities that enhance the human experience, ignite and power global commerce, and secure and protect the world's most critical information. Serving both service provider and enterprise customers, Nortel delivers innovative technology solutions encompassing end-to-end broadband, Voice over IP, multimedia services and applications, and wireless broadband designed to help people solve the world's greatest challenges. Nortel does business in more than 150 countries. For more information, visit Nortel on the Web at www.nortel.com. For the latest Nortel news, visit www.nortel.com/news.

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 outcome of regulatory and criminal investigations and civil litigation actions related to Nortel's restatements and the impact any resulting legal judgments, settlements, penalties and expenses could have on Nortel's results of operations, financial condition and liquidity; the findings of Nortel's independent review and implementation of recommended remedial measures; the outcome of the independent review with respect to revenues for specific identified transactions, which review will have a particular emphasis on the underlying conduct that led to the initial recognition of these revenues; the restatement or revisions of Nortel's previously announced or filed financial results and resulting negative publicity; the existence of material weaknesses in Nortel's internal controls over financial reporting; the impact of Nortel's and NNL's failure to timely file their financial statements and related periodic reports, including breach of its support facility and public debt obligations and Nortel's inability to access its shelf registration statement filed with the United States Securities and Exchange Commission ("SEC"); ongoing SEC reviews, which may result in changes to our public filings; the potential delisting or suspension of Nortel's and NNL's publicly traded securities; the impact of management changes, including the termination for cause of Nortel's former CEO, CFO and Controller in April 2004; the sufficiency of Nortel's restructuring activities, including the work plan announced on August 19, 2004 as updated on September 30, 2004, including the potential for higher actual costs to be incurred in connection with restructuring actions compared to the estimated costs of such actions; cautious or reduced spending by Nortel's customers; fluctuations in Nortel's operating results and general industry, economic and market conditions and growth rates; fluctuations in Nortel's cash flow, level of outstanding debt and current debt ratings; Nortel's ability to recruit and retain qualified employees; the use of cash collateral to support Nortel's normal course business activities; the dependence on Nortel's subsidiaries for funding; the impact of Nortel's defined benefit plans and deferred tax assets on results of operations and Nortel's cash flow; the adverse resolution of class actions, litigation in the ordinary course of business, intellectual property disputes and similar matters; Nortel's dependence on new product development and its ability to predict market demand for particular products; Nortel's ability to integrate the operations and technologies of acquired businesses in an effective manner; the impact of rapid technological and market change; the impact of price and product competition; barriers to international growth and global economic conditions, particularly in emerging markets and including interest rate and currency exchange rate fluctuations; the impact of rationalization in the telecommunications industry; changes in regulation of the Internet; the impact of the credit risks of Nortel's customers and the impact of customer financing and commitments; stock market volatility generally and as a result of acceleration of the settlement date or early settlement, which is currently not available, of Nortel's forward purchase contracts; the impact of Nortel's supply and outsourcing contracts that contain delivery and installation provisions, which, if not met, could result in the payment of substantial penalties or liquidated damages; and the future success of Nortel's strategic alliances. For additional information with respect to certain of these and other factors, see the most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed by Nortel with the SEC. Unless otherwise required by applicable securities laws, Nortel disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Exhibit 99.2



March 15, 2005

Export Development Canada
151 O' Connor Street
Ottawa, Ontario
Canada K1A 1K3
Attention: David Guy

Ladies and Gentlemen:

We refer to the Master Facility Agreement dated February 14, 2003, by and between Nortel Networks Limited (the "Company") and Export Development Canada ("EDC"), as amended by that certain Amending Agreement No. 1 To Master Facility Agreement dated as of July 10, 2003, by and between the Company and EDC, as further amended by that certain letter agreement by and between the Company and EDC dated as of March 29, 2004 (the "March 29 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of May 28, 2004 (the "May 28 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of August 20, 2004 (the "August 20 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of September 29, 2004 (the "September 29 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of October 29, 2004 (the "October 29 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of November 19, 2004 (the "November 19 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of December 10, 2004 (the "December 10 Letter"), as further amended by that certain letter agreement by and between the Company and EDC dated as of January 14, 2005 (the "January 14 Letter"), and as further amended by that certain letter agreement by and between the Company and EDC dated as of February 15, 2005 (the "February 15 Letter"), and together with the March 29 Letter, the May 28 Letter, the August 20 Letter, the September 29 Letter, the October 29 Letter, the November 19 Letter, the December 10 Letter and the January 14 Letter, the "Letters").

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The Master Facility Agreement, as so amended, is referred to hereinafter as the “EDC Agreement”. Capitalized terms used but not defined herein are used with the meanings given to those terms in the EDC Agreement and the Master Indemnity Agreement.

We also refer to (i) the Indenture dated as of November 30, 1988 (the “1988 Indenture”) between the Company and The Bank of New York as successor trustee to The Toronto-Dominion Bank Trust Company; (ii) the Indenture dated as of February 15, 1996 (the “1996 Indenture”) among the Company, Nortel Networks Capital Corporation (“NNCC”) and The Bank of New York as trustee; (iii) the Indenture dated as of December 15, 2000 (the “2000 Indenture”) among the Company, NNCC and Deutsche Bank Trust Company Americas as successor trustee to Citibank, N.A.; and (iv) the Indenture dated as of August 15, 2001 among Nortel Networks Corporation (“NNC” and together with the Company, “Nortel Networks”), the Company as guarantor and Deutsche Bank Trust Company Americas (formerly known as The Bankers Trust Company) as trustee (the “2001 Indenture” and, together with the 1988 Indenture, the 1996 Indenture and the 2000 Indenture, the “Nortel Indentures”).

We have advised you that (i) the Company and NNC did not file their Annual Reports on Form 10-K for the year ended December 31, 2003 (the “2003 Annual Reports”) with the United States Securities and Exchange Commission (the “SEC”) by March 15, 2004, the date by which such filings were required, and did not deliver their 2003 Annual Reports to the trustees under the Nortel Indentures or to EDC under the EDC Agreement by the date on which such deliveries were required therein, (ii) the Company and NNC did not file their Quarterly Reports on Form 10-Q for the quarter ended March 31, 2004 (the “First Quarter Reports”), with the SEC by May 10, 2004, the date by which such filings were required, and did not deliver their First Quarter Reports to the trustees under the Nortel Indentures or to EDC under the EDC Agreement by the date on which such deliveries were required therein, (iii) the Company and NNC did not file their Quarterly Reports on Form 10-Q for the quarter ended June 30, 2004 (the “Second Quarter Reports”) with the SEC by August 9, 2004, the date by which such filings were required, and did not deliver their Second Quarter Reports to the trustees under the Nortel Indentures or to EDC under the EDC Agreement by the date on which such deliveries were required therein, (iv) the Company and NNC did not file their Quarterly Reports on Form 10-Q for the quarter ended September 30, 2004 (the “Third Quarter Reports” and together with the First Quarter Reports and the Second Quarter Reports, the “Quarterly Reports”) with the SEC by November 9, 2004, the date by which such filings were required, and did not deliver their Third Quarter Reports to the trustees under the Nortel Indentures or to EDC under the EDC Agreement by the date on which such deliveries were required therein (such failures to timely file and deliver the 2003 Annual Reports and the Quarterly Reports, the “Delayed Filings”), and (v) the Company, as a result of its re-examination of the establishment, timing of, support for and release to income of certain accruals and provisions in prior periods, announced the need to restate its previously filed financial results for certain prior periods (the “Restatements”).

We have also advised you that, as of the date hereof, the Company and NNC (i) have filed their 2003 Annual Reports, First Quarter Reports and Second Quarter Reports with the SEC and delivered their 2003 Annual Reports, First Quarter Reports and Second Quarter Reports to the trustees under the Nortel Indentures and to EDC under the EDC Agreement, (ii) have not yet filed their Third Quarter Reports with the SEC and have not yet delivered their Third Quarter Reports to the trustees under the Nortel Indentures or to EDC under the EDC Agreement and (iii) do not expect to file their Annual Reports on Form 10-K for the year ended December 31, 2004 (the “2004 Annual Reports” and together with the 2003 Annual Reports, the “Annual Reports”) with the SEC by March 16, 2005, the date by which such filings are required, and do not expect to deliver their 2004 Annual Reports to the trustees under the Nortel Indentures by the date on which such deliveries are required therein (such anticipated failures to timely file and deliver the 2004 Annual Reports together with the failures to timely file and deliver Third Quarter Reports, the “Continued Delayed Filings” and together with the Delayed Filings and the Restatements, the “Events”).

Absent the waivers contained in the Letters, the Delayed Filings and the Continued Delayed Filings would have resulted in the occurrence of an Event of Default and a Specified Event of Default under the EDC Agreement pursuant to the “cross-default” provision contained in Section 6.1(f)(ii), and an Event of Default under the provisions of Section 6.1(d) due to failure or potential failure to comply with certain information covenants contained in the EDC Agreement. Section 6.1(f)(ii) of the EDC Agreement defines Event of Default and Specified Event of Default to include the occurrence of any event that enables the holders of any Material Debt (which is defined to include each series of the Company’s outstanding debt securities) to declare such Material Debt due and payable prior to its scheduled maturity (with or without the giving of notice, the lapse of time or both).

Section 6.1(d) of the EDC Agreement defines an Event of Default to include the failure to observe or perform any covenant or agreement contained in any Facility Document, including a failure to deliver the Annual Reports and the Quarterly Reports when required by Sections 5.1(a) and (b), respectively, of the EDC Agreement, and a failure to deliver the officer’s certificates required by Section 5.1(c) of the EDC Agreement, if any such failure continues for thirty days after notice thereof is provided by EDC to the Company. In addition, as a result of the circumstances giving rise to the Restatements, (x) the Company may be in violation of Section 5.7 of the EDC Agreement and (y) the representations and warranties contained in Sections 4.1(d)(i) of the EDC Agreement may have been incorrect when made or when deemed made.

The Company hereby requests that EDC waive the occurrence of any Event of Default or Specified Event of Default resulting from (i) the Delayed Filings or the Continued Delayed Filings to the extent that such Event of Default or Specified Event of Default arises under Sections 5.1(a), 5.1(b), 6.1(d), or 6.1(f)(ii) of the EDC Agreement; (ii) the failure to deliver an officer’s certificate when required under Section 5.1(c) of the EDC Agreement to the extent that the EDC Agreement requires

such delivery at the time of delivery of the Annual Reports or any of the Quarterly Reports, and (iii) the Events to the extent that such Event of Default or Specified Event of Default arises under Sections 4.1(d)(i) or 5.7 of the EDC Agreement. We refer to the waivers set forth above in this paragraph as the “Waivers”. The Waivers will terminate on the earliest to occur of (A) the date on which Nortel Networks has filed each of the Third Quarter Reports and 2004 Annual Reports with the SEC; (B) 11:59 pm Eastern Time on April 30, 2005; or (C) for greater certainty, but without in any way extending the limited waiver contained herein, the date on which any Material Debt becomes due before its stated maturity.

The Company hereby represents and warrants to EDC that as of the date hereof no Default, Event of Default or Specified Event of Default, other than those specifically waived herein, has occurred and is continuing under the EDC Agreement.

In consideration of the Waivers by EDC herein, the Company hereby: (i) waives any notice requirement under Section 6.1 (d) of the EDC Agreement with respect to any Event of Default that would otherwise result from the Events but that is waived herein; (ii) agrees that the proviso to the last sentence of Section 5.7 of the EDC Agreement shall not apply as long as any of the Waivers remain in effect; and (iii) agrees that, notwithstanding the provisions of Section 2.1(a) of the EDC Agreement, until such time as all of the Waivers have terminated and no Default or Event of Default exists under the EDC Agreement, any Support (including without limitation any Support under the Small Bonds Facility) provided by EDC under the EDC Agreement and under any EDC Support Agreement shall be provided on an uncommitted basis and at the sole discretion of EDC, subject to such conditions precedent as EDC may require, including without limitation those applicable to the Receivables Bonding Facility and the General Support Facility.

The EDC Agreement (as amended herein) and the Master Indemnity Agreement are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Except as otherwise expressly provided herein, the execution, delivery and effectiveness of this letter agreement shall not operate as a waiver of any right, power or remedy of EDC under the EDC Agreement or the Master Indemnity Agreement, nor does it or shall it constitute a waiver of any provision of the EDC Agreement or the Master Indemnity Agreement or of any Event of Default or Specified Event of Default (including without limitation any Event of Default or Specified Event of Default arising from or related to the Restatements) other than those expressly provided herein.

This letter agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

